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DOCUMENTS
OF THE
ANNUAL REPORT
ASSEMBLY

OF THE
Superintendent of Insurance
STATE OF NEW YORK

STATE OF NEW YORK
ONE HUNDRED AND FORTY-FIRST SESSION

1918

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ALBANY
J. B. LYON COMPANY, PRINTERS
1918

FIFTY-NINTH

ANNUAL REPORT

OF THE

Superintendent of Insurance

OF THE

STATE OF NEW YORK



PART V

Laws of 1918—Court of Appeals Decisions—Opinions of
Attorney-General—Reports on Examination—
Miscellaneous Special Reports—
Fees and Taxes, 1919

ALBANY
J. B. LYON COMPANY, PRINTERS
1918

STATE OF NEW YORK

No. 41

IN ASSEMBLY

FIFTY-NINTH ANNUAL REPORT

OF THE

SUPERINTENDENT OF INSURANCE

STATE OF NEW YORK

INSURANCE DEPARTMENT

ALBANY, *December 23, 1918*

Hon. THADDEUS C. SWEET, *Speaker of the Assembly*:

Sir.—The Annual Report of the Superintendent of Insurance, Part V, containing 1918 amendments to the Insurance Law and to related statutes, decisions of the Court of Appeals, opinions of the Attorney-General, reports on official examination, miscellaneous special reports, and schedules of fees and taxes to be charged New York companies by other states in 1919, is herewith transmitted to the Legislature.

Respectfully yours,

Jesse S. Phillips

Superintendent

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1918²⁰

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INSURANCE AND RELATED
STATUTES OF 1918

NOTE

A consolidation of statutes relating to insurance corporations became law February 17, 1909, as chapter twenty-eight of the Consolidated Laws, being chapter thirty-three of the Laws of 1909. A number of amendments were passed during the 1909 and following sessions of the Legislature and were printed in Part V of that and succeeding years. Following are the statutes affecting insurance matters that were passed during the regular session of 1918 and approved by the Governor.

INSURANCE AND RELATED STATUTES OF 1918

Chap. 39

AN ACT to amend the insurance law, in relation to relicensing of brokers who are unable, on account of military service, to make personal application for renewal certificates of authority.

Became a law March 6, 1918, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section one hundred and forty-three of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter 28 of the consolidated laws," as added by chapter twelve of the laws of nineteen hundred and thirteen, and amended by chapter fifty-six of the laws of nineteen hundred and fifteen, is hereby amended to read as follows:

§ 143. **Broker's certificate of authority.**—The term "broker" in this section shall include any person, partnership, association or corporation who, for money, commission or anything of value, acts or aids in any manner on behalf of the insured in negotiating contracts of insurance or placing risks or taking out insurances, including surety bonds. No underwriter, authorized or permitted to do business in this state, or agent thereof, shall pay any money or commission or give or allow anything of value to any person, partnership, association or corporation not a duly authorized agent of such underwriter for or because of his or its negotiating a contract of insurance or placing a risk or taking out insurance or a surety bond, unless such person, partnership, association or corporation is authorized to act as a broker. No person, partnership, association or corporation shall act as broker in the solicitation or procurement of applications for insurance or receive for or because of negotiating a contract of insurance or

placing a risk or taking out insurance including a surety bond any money or commission or other thing of value from any underwriter authorized or permitted to do an insurance business in this state, or from an agent of any such underwriter, without first procuring a certificate of authority so to act from the superintendent of insurance. The superintendent of insurance shall issue such broker's certificate of authority to a person, partnership, association or corporation, applying therefor, who is trustworthy and is competent to transact an insurance brokerage business in such manner as to safeguard the interests of the insured. A certificate of authority issued to a corporation, partnership or association shall authorize only the officers and directors of the corporation, or the members of the partnership or association, specified in the certificate, each of whom must be qualified to obtain a certificate to act as a broker, and for each of whom a fee must be paid at the times and at the rates specified for individual applicants. The fee to be paid to the superintendent of insurance by an individual applicant for such broker's certificate at the time the application is made, and annually for the renewal thereof, shall be ten dollars, if the applicant maintains a place of business or customarily solicits business in a city of the first class; seven dollars and fifty cents, if the applicant maintains a place of business or customarily solicits business in a city of the second class; five dollars, if the applicant maintains a place of business or customarily solicits business in a city of the third class and two dollars, if the applicant does not maintain a place of business or customarily solicit business in a city. The fee to be paid annually by a nonresident individual applicant who does not maintain a place of business in the state of New York shall be ten dollars, provided that if such applicant does not solicit business or place insurance covering property or risks situated in a city of the first or second class, the fee to be paid shall be five dollars. Every broker's certificate of authority shall expire on the thirty-first day of December of the calendar year in which the same shall have been issued, but if an application for the renewal of any such certificate shall have been filed with the superintendent of insurance before January first of any year the certificate of authority sought to be renewed shall continue in full force and effect until the issuance by the superintend-

ent of insurance of the new certificate applied for or until five days after the superintendent of insurance shall have refused to issue such new certificate and shall have served notice of such refusal on the applicant therefor. Service of such notice may be made either personally or by mail, and, if by mail, shall be deemed complete if such notice is deposited in the post-office, postage prepaid, directed to the applicant at the place of business specified in the application. The superintendent of insurance may issue a renewal certificate of authority to any duly licensed broker who, by reason of being engaged in military, naval, red cross or civilian service in connection with the war, is unable to make personal application for such renewal certificate, upon the filing of an application on behalf of such broker, accompanied by an affidavit showing such service and the inability of such broker to make personal application. The application and the affidavit hereinabove referred to shall be made in the form prescribed by the superintendent, by some person or persons who in his judgment have knowledge of the facts. Before any broker's certificate of authority shall be issued by the superintendent of insurance there must be filed in his office a written application therefor. Such application shall be in the form or forms and supplements thereof prescribed by the superintendent of insurance and must set forth (1) the name and address of the applicant, and if the applicant be a partnership or association, the name and address of each member thereof, and if the applicant be a corporation, the name and address of each of its officers and directors; (2) whether any certificate of authority as agent or broker has been issued theretofore by the superintendent of insurance to the applicant, and, if the applicant be an individual, whether any such certificate has been issued theretofore to any partnership or association of which he was or is a member or to any corporation of which he was or is an officer or director, and, if the applicant be a partnership or association, whether any such certificate has been issued theretofore to any member thereof, and, if the applicant be a corporation, whether any such certificate has been issued theretofore to any officer or director of such corporation; (3) the business in which the applicant has been engaged for the year next preceding the date of the application, and, if employed by another, the name or names and address or addresses of such employer or employers;

(4) such information as the superintendent of insurance may require of applicants to enable him to determine their trustworthiness and competency to transact the insurance brokerage business in such manner as to safeguard the interests of the assured. Except as otherwise provided in this section, an application for a broker's certificate of authority must be signed and verified by the applicant and, if made by a partnership or association, by each member thereof and if made by a corporation by each officer and director thereof to be authorized thereby to act as a broker. A corporation, association or partnership to whom a certificate of authority shall have been issued by the superintendent of insurance under this section may at any time make an application to the superintendent of insurance for the issuance of a supplemental certificate of authority authorizing additional officers or directors of the corporation or members of the partnership or association to act as brokers, and the superintendent of insurance may thereupon issue to such corporation, association or partnership a supplemental certificate accordingly upon the payment of an additional fee for each member or officer or director thereby authorized to act as a broker. A certificate issued under this section shall be revoked by the superintendent, if after due investigation and a hearing either before him or before any salaried employee of the insurance department designated by him whose report he may adopt, he determines that the holder of such certificate (1) has violated any provision of the chapter by any act or thing done in respect to insurance for which such certificate is required; or (2) has made a material misstatement in the application for such certificate; or (3) has been guilty of fraudulent practices; or (4) has demonstrated his incompetency or untrustworthiness to transact the insurance brokerage business for which such certificate of authority shall have been granted by reason of anything done or omitted in or about such business under the authority of such certificate. No individual, partnership, association or corporation whose certificate of authority is so revoked nor any partnership or association of which such individual is a member, nor any corporation of which he is an officer or director shall be entitled to any certificate of authority under this section for a period of one year after such revocation, or, if such revocation be reviewed by certiorari proceedings, for one year after the final

determination thereof affirming the action of the superintendent in revoking such certificate. If any such certificate held by a partnership, association or corporation be so revoked, no member of the partnership or association or officer or director of the corporation shall be entitled to such a certificate for the same period of time, if the superintendent of insurance determines and finds that such member or officer or director was personally at fault in the matter on account of which the certificate was revoked. The holder of any such certificate or any person aggrieved may file with the superintendent of insurance a verified complaint setting forth facts from which it shall appear that any such certificate ought to be revoked. The superintendent must thereupon, after investigation and a hearing as herein provided, determine whether such certificate shall be revoked. If an application for a certificate of authority under this section be rejected or such a certificate be revoked by the superintendent of insurance notice thereof shall forthwith be served on the applicant or on the holder of such certificate either personally or by mail, and, if by mail, such service shall be complete if such notice be deposited in the post-office, postage prepaid, directed to the applicant or the holder of such certificate, as the case may be, at the place of business specified in the application or certificate. The action of the superintendent of insurance in granting or refusing to grant or to renew a certificate of authority or in revoking or refusing to revoke such a certificate shall be subject to review by writ of certiorari, at the instance of the applicant for such certificate, the holder of a certificate so revoked or the holder of any such certificate or the person aggrieved. If the superintendent of insurance shall revoke or shall refuse to renew the certificate of authority of any broker issued under this section and such broker shall apply for a writ of certiorari to review such action, the certificate of authority of such broker shall be deemed to be in full force and effect for all purposes, including the right to renewal, until the final determination of such certiorari proceedings and all appeals therefrom, provided the fee for such certificate be paid. This section shall not apply to any contract of life insurance nor to any contract of insurance upon or in connection with marine or transportation risks or hazards other than contracts for automobile insurance, nor

to contracts of insurance upon property located without this state, nor to contracts made by persons, partnerships, associations or corporations authorized to do business under articles five, six, seven and nine of this chapter. Any person, partnership, association or corporation violating any of the provisions of this section shall, in addition to any other penalty in this chapter provided, forfeit to the people of the state five hundred dollars.

§ 2. This act shall take effect immediately.

Chap. 119

AN ACT to amend the insurance law, relative to proceedings against and liquidation of delinquent insurance corporations.

Became a law April 3, 1918, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Subdivisions one, two, three, five and ten of section sixty-three of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," as added by chapter three hundred of the laws of nineteen hundred and nine and amended by chapter six hundred and thirty-four of the laws of nineteen hundred and ten, chapter three hundred and sixty-six of the laws of nineteen hundred and eleven and chapter two hundred and seventeen of the laws of nineteen hundred and twelve, are hereby amended to read, respectively, as follows:

1. Whenever any domestic corporation (a) is insolvent; or (b) has refused to submit its books, papers, accounts or affairs to the reasonable inspection of the superintendent, or his deputy or examiner; or (c) has neglected or refused to observe an order of the superintendent to make good within the time prescribed by law any deficiency, whenever its capital, if it be a stock corporation, or its reserve, if it be a mutual corporation, shall have become impaired; or (d) has, by contract of reinsurance or

otherwise, transferred or attempted to transfer substantially its entire property or business, or entered into any transaction the effect of which is to merge substantially its entire property or business in the property or business of any other corporation, association, society or order, without having first obtained the written approval of the superintendent; or (e) is found, after an examination, to be in such condition that its further transaction of business will be hazardous to its policyholders, or to its creditors, or to the public; or (f) has willfully violated its charter or any law of the state; or (g) whenever any officer thereof has refused to be examined under oath touching its affairs; or (h) if such corporation be organized under article five-a, six, seven, eight, ten-a or ten-b of this chapter, its condition is found, after examination, to be such that it could not meet the requirements for incorporation and authorization specified in such articles respectively; or (i) if such corporation has ceased to transact the business of insurance for a period of one year; or (j) on consent of a majority of the directors, stockholders or members, the superintendent may, the attorney-general representing him, apply to the supreme court or any justice thereof in the judicial district in which the principal office of such corporation is located for an order directing such corporation to show cause why the superintendent should not take possession of its property and conduct its business, and for such other relief as the nature of the case and the interests of its policyholders, creditors, stockholders, or the public may require.

2. On such application, or at any time thereafter, such court or the justice of the supreme court before whom such order is returnable may, in its or his discretion, issue an injunction restraining such corporation from the transaction of its business or disposition of its property until the further order of the court, and such court or the justice of the supreme court before whom such order is returnable may, on such application or at any time thereafter, issue such other injunctions or orders as may be deemed necessary to prevent interference with the possession and control, or the title, rights or interest of the liquidator or the conduct of the business or liquidation; or to prevent waste of the assets or the obtaining of preferences, judgments, attachments or

other liens or the making of any levy against the corporation or its estate while in the possession and control of the superintendent of insurance or while in liquidation. On the return of such order to show cause, and after a full hearing, the court or the justice of the supreme court before whom such order is returnable shall either deny the application or direct such superintendent, or his successors in office, forthwith to take possession of the property and conduct the business of such corporation, and retain such possession and conduct such business until, on the application either of the superintendent, the attorney-general representing him, or of such corporation, it shall, after a like hearing, appear to the court that the ground for such order directing the superintendent to take possession has been removed and that the corporation can properly resume possession of its property and the conduct of its business.

3. If, on a like application and order to show cause, and after a full hearing, the court or the justice of the supreme court before whom such order is returnable shall order the liquidation of the business of such corporation, such liquidation shall be made by and under the direction of such superintendent, and his successors in office, who may deal with the property and business of such corporation in their own names as superintendents, or in the name of the corporation, as the court or the justice of the supreme court before whom such order is returnable may direct, and shall be vested by operation of law with title to all of the property, contracts and rights of action of such corporation as of the date of the order so directing them to liquidate. The filing or recording of such order in any record office of the state shall impart the same notice that a deed, bill of sale or other evidence of title duly filed or recorded by such corporation would have imparted. The rights and liabilities of any such corporation, and of its creditors, policyholders, stockholders, and members, and of all other persons interested in its assets, shall, unless otherwise directed by the court, be fixed as of the date of the entry of the order directing the liquidation of such corporation in the office of the clerk of the county wherein such corporation had its principal office for the transaction of business upon the date of the institution of proceedings under this section.

No claim of any secured creditor or claimant shall be allowed in any proceeding under this section at a sum greater than the difference between the value of the security and the amount for which the claim is valid, unless the creditor or claimant shall surrender his security to the liquidator, in which event the creditor or claimant may file a claim and become a claimant for the full amount thereof. No conveyance, assignment or transfer, except to a purchaser for a valuable consideration without notice, of any property of any corporation, association, society or order subject to the provisions of this section by it or by any officer, director, stockholder or member thereof, nor any payment made, judgment suffered, lien created or security given by it or by any officer, director, stockholder or member when the corporation, association, society or order is insolvent or such insolvency is imminent, and within four months prior to the granting of any order to show cause authorized by this section, with the intent or effect of giving to any creditor, or enabling him to obtain, a greater percentage of his debt than any other creditor of the same class, shall be valid and no such corporation, association, society or order shall make any conveyance, assignment, transfer or encumbrance in contemplation of insolvency or within such period of four months. Every person receiving by means of any such prohibited act or deed any property of the corporation, association, society or order shall be bound to account therefor to the superintendent of insurance as liquidator. Every director or officer of a corporation, association, society or order who shall violate or be concerned in violating any provision of this section shall be personally liable to the creditors, stockholders and members of the corporation, association, society or order of which he shall be a director or an officer to the full extent of any loss they may respectively sustain by such violation and the same may be recovered by the superintendent of insurance as liquidator of such corporation, association, society or order.

5. On such application, or at any time thereafter, such court or the justice of the supreme court before whom such order is returnable may, in its discretion, issue an injunction restraining such corporation and its officers, agents and employees from the transaction of its business or disposition of its property until the further order of the court. On the return of such order to

show cause, and after a full hearing, the court or the justice of the supreme court before whom such order is returnable shall either deny the application or direct the superintendent forthwith to take possession of the property and conserve the assets of such corporation, and retain such possession until, on the application either of the superintendent, the attorney-general representing him, or of such corporation, it shall, after a like hearing, appear to the court that the ground for such order directing the superintendent to take possession has been removed and that the corporation can properly resume possession of its property and conduct its business. If, on such application, the court shall direct the superintendent to take possession of the property and conserve the assets of such corporation, the rights and duties of the said superintendent with reference to such corporation and its said assets shall be those heretofore exercised by and imposed upon ancillary receivers of foreign corporations in this state.

10. On such application or at any time after the court or a justice thereof shall order the liquidation of the business of any such corporation, as provided in paragraph number three of this section, the superintendent of insurance may apply for the dissolution of such corporation, and the same, after due notice and hearing and such other procedure as to the court or justice shall seem proper, shall be dissolved.

§ 2. This act shall take effect immediately.

Chap. 120

AN ACT to amend the insurance law, in relation to the transfer of deposits by the superintendent of insurance to a receiver.

Became a law April 3, 1918, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section one hundred and four of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter

twenty-eight of the consolidated laws," is hereby amended to read as follows:

§ 104. **Transfer of deposits by superintendent of insurance to receiver.** In every case where life insurance or annuity companies, or any corporation of either of the classes provided for by this article and article five of this chapter, whether formed under said articles or prior thereto, has been or hereafter may be dissolved, and a receiver or liquidator thereof appointed, upon the application of the attorney-general, or by action or proceeding begun in the name of the people of the state of New York, or in a proceeding for the voluntary dissolution of such a corporation where the superintendent of insurance shall be the receiver or a co-receiver, each and every security and fund which shall have been deposited by such company prior to its dissolution, with the superintendent of the insurance department, for the security and protection of its policyholders or any class of such policyholders, under the statutes in such cases made and provided, may, by an order of the supreme court, made at a special term thereof held within the judicial district in which the principal office of such company was located, prior to its dissolution, upon the application of the attorney-general, after service of eight days' written notice of such application upon the superintendent of the insurance department, be transferred from the said superintendent of the insurance department to the receiver or to himself as liquidator or receiver of such company; and thereupon the said superintendent shall deliver such funds and securities to such receiver or to himself as liquidator or receiver, and in him the title thereto shall immediately vest. Such receiver or liquidator shall thereupon convert such securities and funds into money and shall distribute the proceeds thereof, and of each and every class of such funds or securities, among the respective holders of valid policies of such company for whose benefit and security the deposit or deposits were originally made proportionately to the respective valuations of such policies, as shall be ascertained in proceedings taken by such receiver or liquidator for the valuation of policies, and the determination of the liabilities of such company under the statutes in such cases made and provided, and the course and practice of the supreme court in cases of

insolvent corporations, until such valuation shall have been paid in full. If any portion of such proceeds shall then remain, such balance may, under an order of the supreme court in such behalf duly made at special term, be made a part of the general assets of such receivership or liquidation, and thereupon be distributed by said receiver or liquidator in payment of or upon the general liabilities of such dissolved or liquidated company according to law. And in case of a corporation formed under the laws of any other state or country, doing insurance business in this state of the nature of that done by the corporations above mentioned, in case of any action or proceeding brought or hereafter to be brought in this state by the attorney-general, or in the name of the people of the state of New York, for the liquidation or the winding up of its business in this state, or for or involving distribution of its assets therein, the same proceedings may be had with reference to any securities and funds deposited by such corporation with the superintendent of the insurance department of this state under the statutes in such case made and provided, as are hereinbefore provided with reference to deposits of corporations of this state, save only that the order for transfer of the deposit may be made in the judicial district in which the principal office of the corporation in this state was located at the commencement of the action or proceedings, or in the third judicial district.

§ 2. This act shall take effect immediately.

Chap. 130

AN ACT to amend the insurance law, in relation to prohibiting the forfeiture of policy without notice.

Became a law April 3, 1918, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section ninety-two of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," is hereby amended to read as follows:

§ 92. **No forfeiture of policy without notice.** No life insurance corporation doing business in this state shall within one year after the default in payment of any premium, installment or interest declare forfeited, or lapsed, any policy hereafter issued or renewed, and not issued upon the payment of monthly or weekly premiums, or unless the same is a term insurance contract for one year or less, nor shall any such policy be forfeited, or lapsed, by reason of nonpayment when due of any premium, interest or installment or any portion thereof required by the terms of the policy to be paid, within one year from the failure to pay such premium, interest or installment, unless a written or printed notice stating the amount of such premium, interest, installment, or portion thereof, due on such policy, the place where it shall be paid, and the person to whom the same is payable, shall have been duly addressed and mailed to the person whose life is insured, or the assignee of the policy, if notice of the assignment has been given to the corporation, or, in the case of a policy of group insurance, to the employer, at his last known post-office address in this state, postage paid by the corporation, or by any officer thereof, or person appointed by it to collect such premium, at least fifteen and not more than forty-five days prior to the day when the same is payable. The notice shall also state that unless such premium, interest, installment or portion thereof, then due, shall be paid to the corporation, or to the duly appointed agent or person authorized to collect such premium by or before the day it falls due, the policy and all payments thereon will become forfeited and void except as to the right to a surrender value or paid-up policy as in this chapter provided. If the payment demanded by such notice shall be made within its time limited therefor, it shall be taken to be in full compliance with the requirements of the policy in respect to the time of such payment; and no such policy shall in any case be forfeited or declared forfeited, or lapsed, until the expiration of thirty days after the mailing of such notice. The affidavit of any officer, clerk, or agent of the corporation, or of any one authorized to mail such notice, that the notice required by this section has been duly addressed and mailed by the corporation issuing such policy shall be presumptive evidence that such notice has been duly given.

No action shall be maintained to recover under a forfeited policy, unless the same is instituted within two years from the day upon which default was made in paying the premium, installment, interest or portion thereof for which it is claimed that forfeiture ensued.

§ 2. This act shall take effect immediately.

Chap. 137

AN ACT to amend the stock corporation law, in relation to transfer of stock.

Became a law April 3, 1918, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section thirty-two of chapter sixty-one of the laws of nineteen hundred and nine, entitled "An act relating to stock corporations, constituting chapter fifty-nine of the consolidated laws," as amended by chapter one hundred and twenty-seven of the laws of nineteen hundred and sixteen, is hereby amended to read as follows:

§ 32. **Books to be kept.** Every stock corporation shall keep at its office correct books of account of all its business and transactions, and a book to be known as the stock book, containing the names, alphabetically arranged, of all persons who are stockholders of the corporation, showing their places of residence, the number of shares of stock held by them respectively, the time when they respectively became the owners thereof, and the amount paid thereon. On or before May first, nineteen hundred and eighteen, every domestic stock life insurance corporation shall cause to be filed in the office of the superintendent of insurance a list of the stockholders of such corporation showing their places of residence and the number of shares held by them respectively. The stock book of every such corporation shall be open daily, during at least three business hours, for inspection by any judgment creditor of the corporation; or by any person who shall have been stock-

holder of record in such corporation for at least six months immediately preceding his demand; or by any person holding stock of such corporation to an amount equal to five per centum of all its outstanding shares; or by any person thereunto in writing authorized by the holders of stock of such corporation to an amount equal to five per centum of all of its outstanding shares. Persons so entitled to inspect stock books may make extracts therefrom. No transfer of stock shall be valid as against the corporation, its stockholders and creditors for any purpose except to render the transferee liable for the debts of the corporation to the extent provided for in this chapter, until it shall have been entered in such book as required by this section, by an entry showing from and to whom transferred, nor, in the case of a domestic stock life insurance corporation until ten days after written notice of such transfer shall have been filed in the office of the superintendent of insurance. The stock book of every such corporation and the books of account of every bank shall be presumptive evidence of the facts therein so stated in favor of the plaintiff, in any action or proceeding against such corporation or any of its officers, directors or stockholders. Every corporation that shall neglect or refuse to keep or cause to be kept such books, or to keep any book open for inspection as herein required, shall forfeit to the people the sum of fifty dollars for every day it shall so neglect or refuse. If any officer or agent of any such corporation shall wilfully neglect or refuse to make any proper entry in such book or books, or shall neglect or refuse to exhibit the same, or to allow them to be inspected and extracts taken therefrom as provided in this section, the corporation and such officer or agent shall each forfeit and pay to the party injured a penalty of fifty dollars for every such neglect or refusal, and all damages resulting to him therefrom. It shall be a defense to any action for penalties under this section that the person suing therefor has within two years sold or offered for sale any list of stockholders of such corporation or of any other corporation, or has aided or abetted any person in procuring any stock list for any such purpose. Nothing herein impairs the power of the courts to compel by mandamus or judgment the production for examination by any stockholder of the stock books of a corporation.

§ 2. This act shall take effect immediately.

Chap. 141 .

AN ACT to amend the insurance law, in relation to rebating and discriminations.

Became a law April 3, 1918, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section sixty-five of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," as added by chapter four hundred and sixteen of the laws of nineteen hundred and eleven, and amended by chapter two hundred and twenty-five of the laws of nineteen hundred and twelve, chapter twenty-five of the laws of nineteen hundred and thirteen and chapter four hundred and forty of the laws of nineteen hundred and seventeen, is hereby amended to read as follows:

§ 65. **Rebating and discriminations prohibited.** No insurance corporation, association, partnership, Lloyds or individual underwriters authorized or permitted to do any insurance business within this state, or any officer, agent, solicitor or representative thereof, shall make any contract for such insurance, on property or risk located within this state, or against liability, casualty, accident or hazard that may arise or occur therein or agreement as to such contract, other than as plainly expressed in the policy issued or to be issued thereon; nor shall any such corporation, association, partnership, Lloyds or individual underwriters, or officer, agent, solicitor or representative thereof, directly or indirectly, in any manner whatsoever, pay or allow or offer to pay or allow to the insured named in such policy or to any employee of such insured as inducement to such insurance, or after the insurance shall have been effected, any rebate from the premium which is specified in the policy or any special favor or advantage in the dividends or other benefit to accrue thereon, or any valuable consideration or inducement whatever, not specified in the policy or contract of insurance, or give, sell or purchase, or offer to give,

sell, or purchase, as inducement to such insurance, or in connection therewith, any stock, bonds or other securities of any insurance company, or other corporation or association, or any dividends or profits accrued thereon, or anything of value whatsoever, not specified in the policy, nor shall any insurance broker, his agent or representative, or any other person, directly or indirectly, either by sharing commissions or in any manner whatsoever pay or allow or offer to pay or allow to the insured named in such policy or to any employee of such insured as inducement to such insurance, or after the insurance shall have been effected, any rebate from the premium which is specified in the policy; nor shall the insured, his agent or representative, or any employee of the insured, directly or indirectly accept or knowingly receive any such rebate from the premium specified in the policy; this section shall not prevent any corporation, person, partnership or association lawfully doing such insurance business in this state from the distribution of surplus and dividends to policyholders after the first year of insurance nor prevent any member of an inter-insurance or Lloyds association from receiving the profit of his or its underwriting; nor shall this section prevent any such corporation or other insurer, or his or its agent, from paying commissions to a licensed broker who shall have negotiated for the insurance, nor shall this section prevent any licensed broker from sharing or dividing a commission earned or received by him with any other licensed broker or brokers who shall have aided him in respect to the insurance for the negotiation of which such commission shall have been earned or paid, and nothing herein contained shall be held to prevent the covering of risks by temporary binders or temporary contracts of insurance or such other memoranda as do not conflict with the provisions of this chapter, provided that the premium applicable to the risk insured shall be payable, and shall be paid, for the time during which such insurance is in force by virtue of such binders, temporary contracts of insurance or other memoranda, and any violation of this provision shall constitute a rebate. Nor shall this section prevent any such corporation or other insurer, or any agent or insurance broker, from distributing or presenting to any person or corporation any article of merchandise not exceeding one dollar in value, which

shall have conspicuously stamped or printed thereon the advertisement of such insurance corporation, agent or broker.

No person shall be excused from attending and, when ordered so to do, from testifying or producing any books, papers or other documents before any court or magistrate, upon any investigation, proceeding or trial for a violation of any of the provisions of this section, upon the ground or for the reason that the testimony or evidence, documentary or otherwise, required of him may tend to convict him of crime or subject him to a penalty or forfeiture, but no person shall be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter or thing concerning which he may have been required so to testify or to produce evidence, documentary or otherwise, and no testimony so given or produced shall be received against him upon any criminal investigation or proceeding. Any person or corporation violating the provisions of this section shall be guilty of a misdemeanor and shall forfeit to the people of the state the sum of five hundred dollars for each such violation. This section shall not apply to any contract of life insurance nor to any contract of insurance upon or in connection with marine or transportation risks or hazards other than contracts for automobile insurance, nor to contracts made by persons, associations or corporations authorized to do business under articles five, seven and nine of this chapter.

§ 2. This act shall take effect immediately.

Chap. 165

AN ACT to amend the insurance law, in relation to the powers of fraternal benefit societies.

Became a law April 8, 1918, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section two hundred and thirty-one of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter

twenty-eight of the consolidated laws," as inserted by chapter one hundred and ninety-eight of the laws of nineteen hundred and eleven, is hereby amended by adding thereto a new subdivision, to be subdivision four, to read as follows:

4. Any fraternal benefit society authorized to do business in this state and operating on the lodge plan and which shall, at the date upon which it enters upon the business authorized by this subdivision, have organized and thereafter maintain with adequate reserve, a class of adult membership carrying life insurance certificates at a rate of contribution sufficient to provide for meeting the mortuary obligations contracted when valued for death benefits upon the basis of the national fraternal congress table of mortality, as adopted by the national fraternal congress, August twenty-third, eighteen hundred and ninety-nine, or upon a table based upon the society's own experience of at least twenty years, covering not less than one hundred thousand lives, with an interest assumption not more than four per centum per annum, or any higher standard at the option of the society, may provide in its constitution and by-laws, in addition to other benefits provided for therein, for the payment of death or annuity benefits upon the lives of children between the ages of two and eighteen years next birthday, for whose support and maintenance a member of such society is responsible. Any such society may at its option organize and operate branches for such children and membership in local lodges and initiation therein shall not be required for such children, nor shall they have any voice in the management of the society. The total benefits payable as above provided shall in no case exceed the following amounts at ages at next birthday at time of death, respectively, as follows: Two, thirty-four dollars; three, forty dollars; four, forty-eight dollars; five, fifty-eight dollars; six, one hundred and forty dollars; seven, one hundred and sixty-eight dollars; eight, two hundred dollars; nine, two hundred and forty dollars; ten, three hundred dollars; eleven, three hundred and eighty dollars; twelve, four hundred and sixty dollars; thirteen to fifteen, five hundred and twenty dollars; sixteen to eighteen years, where not otherwise authorized by law, six hundred dollars.

No benefit certificate as to any child shall take effect until after medical examination or inspection by a licensed medical prac-

titioner, in accordance with the laws of the society, nor shall any such benefit certificate be issued unless the society shall simultaneously put in force at least five hundred such certificates, on each of which at least one assessment has been paid, nor where the number of lives represented by such certificate falls below five hundred. The death benefit contributions to be made upon such certificate shall be based upon the "standard industrial mortality table" or the "English life table number six" and a rate of interest not greater than four per centum per annum, or upon a higher standard; provided that contributions may be waived or returns may be made from any surplus held in excess of the reserve and other liabilities, as provided in the by-laws, and provided further that extra contributions shall be made if the reserve hereafter provided for becomes impaired.

Any society entering into such insurance agreement shall maintain on all such contracts the reserve required by the standard of mortality and interest adopted by the society for computing contributions, as provided in this subdivision, and the funds representing the benefit contribution and all accretions thereon shall be kept as separate and distinct funds, independent of the other funds of the society, and shall not be liable for nor used for the payment of the debts and obligations of the society other than the benefits herein authorized; provided, that a society may provide that when a child reaches the minimum age for initiation into membership in such society, any benefit certificate issued hereunder may be surrendered for cancellation and exchanged for any other form of certificate issued by the society in the class of adult membership hereinbefore required to be organized and maintained before entering into the insurance agreement herein authorized, provided that such surrender will not reduce the number of lives insured in the branch below five hundred, and upon the issuance of such new certificate any reserve upon the original certificate herein provided for shall be transferred to the credit of the new certificate. Neither the person who originally made application for benefits on account of such child, nor the beneficiary named in such original certificate nor the person who paid the contributions, shall have any vested right in such new certificate, the free nomination of a beneficiary under the new certificate being left to the child so admitted to benefit membership.

An entirely separate financial statement of the business transactions and of the assets and liabilities arising therefrom, shall be made in its annual report to the superintendent of insurance by any society availing itself of the provisions hereof. The separation of assets, funds and liabilities required hereby shall not be terminated, rescinded or modified, nor shall the funds be diverted for any use other than as specified in this subdivision as long as any certificate issued hereunder remain in force, and this requirement shall be recognized and enforced in any liquidation, reinsurance, merger or other change in the condition of the status of the society.

Any society shall have the right to provide in its laws and the certificate issued hereunder for specified payments on account of the expense or general fund, which payments shall or shall not be mingled with the general fund of the society, as its constitution and by-laws may provide.

In the event of the termination of membership in the society by the person responsible for the support of any child, on whose account a certificate may have been issued, as provided herein, the certificate may be continued for the benefit of the estate of the child, provided the contributions are continued, or for the benefit of any other person responsible for the support and maintenance of such child, who shall assume the payment of the required contributions.

§ 2. This act shall take effect immediately.

Chap. 182

AN ACT to amend the insurance law, in relation to actions against an insurance carrier when insured person is insolvent or bankrupt.

Became a law April 10, 1918, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section one hundred and nine of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act

in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," as added by chapter five hundred and twenty-four of the laws of nineteen hundred and seventeen, is hereby amended to read as follows:

§ 109. **Standard provisions for policies issued under the provisions of subdivision three of section seventy.** On and after the first day of January, nineteen hundred and eighteen, no policy of insurance against loss or damage resulting from accident to or injury suffered by an employee or other person and for which the person insured is liable, or, against loss or damage to property caused by horses or by any vehicle drawn, propelled or operated by any motive power, and for which loss or damage the person insured is liable, shall be issued or delivered to any person in this state by any corporation authorized under subdivision three of section seventy of this chapter, or, if a foreign corporation, authorized to do business in this state, unless there shall be contained within such policy a provision that the insolvency or bankruptcy of the person insured shall not release the insurance carrier from the payment of damages for injury sustained or loss occasioned during the life of such policy, and stating that in case execution against the insured is returned unsatisfied in an action brought by the injured, or his or her personal representative in case death results from the accident, because of such insolvency or bankruptcy, that then an action may be maintained by the injured person, or his or her personal representative, against such corporation under the terms of the policy for the amount of the judgment in the said action not exceeding the amount of the policy.

§ 2. This act shall take effect immediately.

Chap. 192

AN ACT to amend the insurance law, in relation to group life insurance.

Became a law April 13, 1918, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Article two of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insur-

ance corporations, constituting chapter twenty-eight of the consolidated laws," is hereby amended by adding after section one hundred and one, four new sections to be numbered sections one hundred and one-a, one hundred and one-b, one hundred and one-c and one hundred and one-d, respectively, to read as follows:

§ 101-a. **Definition of group life insurance.** Group life insurance is hereby declared to be that form of life insurance covering not less than fifty employees with or without medical examination, written under a policy issued to the employer, the premium on which is to be paid by the employer or by the employer and employees jointly, and insuring only all of his employees, or all of any class or classes thereof determined by conditions pertaining to the employment, for amounts of insurance based upon some plan which will preclude individual selection, for the benefit of persons other than the employer; provided, however, that when the premium is to be paid by the employer and employee jointly and the benefits of the policy are offered to all eligible employees, not less than seventy-five per centum of such employees may be so insured.

§ 101-b. **Standard provisions for policies of group life insurance.** No policy of group insurance shall be issued or delivered in this state unless and until a copy of the form thereof has been filed with the superintendent of insurance and approved by him; nor shall such policy be so issued or delivered unless it contains in substance the following provisions:

(1) A provision that the policy shall be incontestible after two years from its date of issue, except for non-payment of premiums and except for violation of the conditions of the policy relating to military or naval service in time of war.

(2) A provision that the policy, the application of the employer and the individual applications, if any, of the employees insured, shall constitute the entire contract between the parties, and that all statements made by the employer or by the individual employees shall, in the absence of fraud, be deemed representations and not warranties, and that no such statements shall be used in defense to a claim under the policy, unless it is contained in a written application.

(3) A provision for the equitable adjustment of the premium

or the amount of insurance payable in the event of a misstatement of the age of an employee.

(4) A provision that the company will issue to the employer for delivery to the employee, whose life is insured under such policy, an individual certificate setting forth a statement as to the insurance protection to which he is entitled, to whom payable, together with provision to the effect that in case of the termination of the employment for any reason whatsoever the employee shall be entitled to have issued to him by the company, without further evidence of insurability, and upon application made to the company within thirty-one days after such termination, and upon the payment of the premium applicable to the class of risk to which he belongs and to the form and amount of the policy at his then attained age, a policy of life insurance in any one of the forms customarily issued by the company, except term insurance, in an amount equal to the amount of his protection under such group insurance policy at the time of such termination.

(5) A provision that to the group or class thereof originally insured shall be added from time to time all new employees of the employer eligible to insurance in such group or class.

Policies of group insurance, when issued in this state by any company not organized under the laws of this state, may contain, when issued, any provision required by the law of the state, or territory, or district of the United States under which the company is organized; and policies issued in other states or countries by companies organized in this state, may contain any provision required by the laws of the state, territory, district or country, in which the same are issued, anything in this section to the contrary notwithstanding. Any such policy may be issued or delivered in this state which in the opinion of the superintendent of insurance contains provisions on any one or more of the several foregoing requirements more favorable to the employer or to the employee than hereinbefore required.

§ 101-c. Voting power under policies of group life insurance. In every group policy issued by a domestic life insurance company, the employer shall be deemed to be the policyholder for all purposes within the meaning of this chapter, and, if entitled to vote at meetings of the company, shall be entitled to one vote thereat.

§ 101-d. **Exemption from execution.** No policy of group insurance, nor the proceeds thereof, when paid to any employee or employees thereunder, shall be liable to attachment, garnishment, or other process, or to be seized, taken, appropriated or applied by any legal or equitable process or operation of law, to pay any debt or liability of such employee, or his beneficiary, or any other person who may have a right thereunder, either before or after payment; nor shall the proceeds thereof, when not made payable to a named beneficiary, constitute a part of the estate of the employee for the payment of his debts.

§ 2. This act shall take effect immediately.

Chap. 240

AN ACT authorizing corporations of this state to co-operate in the creation and maintenance of instrumentalities for the winning of the war.

Became a law April 16, 1918, with the approval of the Governor. Passed, three-fifths being present.'

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. That during the continuance of the war any corporation organized under the laws of this state may co-operate with other corporations and with natural persons in the creation and maintenance of instrumentalities conducive to the winning of the war, and its directors or trustees may appropriate and expend for such purposes such sum or sums as they may deem expedient and as, in their judgment, will contribute to the protection of the corporate interests, provided that whenever the expenditures for such purposes in any calendar year shall in the aggregate amount to one per centum on the capital stock outstanding, then, before any further expenditure is made during such year for such purposes by the corporation, ten days' notice shall be given to the stockholders in such manner as the directors or trustees may direct of the intention to make such further expenditure, specifying the amount thereof, and if written objection be made by stock-

holders holding twenty-five per centum or more of the stock of the corporation, such further expenditure shall not be made until it shall have been authorized at a stockholders' meeting.

§ 2. This act shall take effect immediately.

Chap. 267

AN ACT to amend the stock corporation law, in relation to notice of time and place of holding elections of directors.

Became a law April 19, 1918, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section twenty-five of chapter sixty-one of the laws of nineteen hundred and nine, entitled "An act relating to stock corporations, constituting chapter fifty-nine of the consolidated laws," is hereby amended to read as follows:

§ 25. **Directors.** The directors of every stock corporation shall be chosen at the time and place fixed by the by-laws of the corporation by a plurality of the votes at such election. Each director shall be a stockholder unless otherwise provided in the certificate, or in a by-law adopted by a stockholders' meeting. Vacancies in the board of directors shall be filled in the manner prescribed in the by-laws. Notice of the time and place of holding any election of directors shall be either published at least once in each week for two successive weeks immediately preceding such election, in a newspaper published in the county where such election is to be held, or delivered personally or mailed, not less than ten nor more than twenty days before the election, to each person who appears on the books of the corporation as a stockholder; if mailed, it shall be directed to a stockholder at his address as it appears on such books. The by-laws may require such notice to be published and also mailed or delivered as above provided. In the case of a domestic stock life insurance corporation no such election shall be valid unless a copy of such notice shall have been filed in the office of the superintendent of insur-

ance at least ten days before the day of such election in addition to the publication service thereof, or both, required above. Whenever any of the directors of a domestic stock life insurance corporation shall have resigned and successors shall have been chosen pursuant to the provisions of the by-laws of the corporation, such successors shall not take office nor exercise the duties thereof until ten days after written notice of their election shall have been filed in the office of the superintendent of insurance. Policyholders of an insurance corporation shall be eligible to election as directors, whether or not they be stockholders. At least one-fourth in number of the directors of every stock corporation shall be elected annually.

§ 2. This act shall take effect immediately.

Chap. 330

AN ACT to amend the insurance law, in relation to mergers or reinsurance of risks between fraternal benefit societies and to provide penalties for violation of provisions thereof.

Became a law April 24, 1918, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section two hundred and thirty-six of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," as added by chapter one hundred and ninety-eight of the laws of nineteen hundred and eleven, is hereby amended to read as follows:

§ 236. **Mergers.** 1. No fraternal benefit society organized under the laws of this state and operating on the lodge plan shall consolidate or merge with any other benefit society or reinsure its insurance risks, or any part thereof, with any other fraternal benefit society, or assume or reinsure the whole or any portion of the risks of any other fraternal benefit society, except as herein provided. No fraternal benefit society shall make any such con-

tract with any company or association not licensed to transact business as a fraternal benefit society.

2. When any such fraternal benefit society shall propose to consolidate or merge its business or to enter into any contract of reinsurance or to assume or reinsure the whole or any portion of the risks of any other fraternal benefit society, the proposed contract in writing setting forth all the terms and conditions of such proposed consolidation, merger or reinsurance shall be submitted to the legislative or governing bodies of each said parties to said contract after due notice, and if approved, such contract as so approved with a statement of all expenses and other obligations incurred or to be incurred thereunder shall be submitted to the superintendent of insurance of this state for his approval and there shall at the same time be submitted a sworn statement showing the financial condition of each of such fraternal benefit societies as of the thirty-first day of December preceding the date of such contract, provided that the superintendent of insurance may, within his discretion, require such financial statement to be submitted as of the last day of the month preceding the date of such contract. The superintendent of insurance shall thereupon consider such contract of consolidation, merger or reinsurance, and if satisfied that the interests of the certificate holders of such fraternal benefit societies are properly protected, and that such contract is just and equitable to the members of each of such societies, and that no reasonable objection exists thereto, shall approve said contract as submitted. In case the parties corporate to such contract shall have been incorporated in separate states or territories, such contract shall be submitted as herein provided to the supervising insurance officials of each of such incorporating states, or territories, to be considered and approved separately by each of such supervising insurance officials. When said contract of consolidation, merger or reinsurance shall have been approved as hereinabove provided, such superintendent of insurance or supervising insurance officials shall issue a certificate to that effect, and thereupon the said contract of consolidation, merger or reinsurance shall be in full force and effect. In case such contract is not approved, the fact of its submission and its contents shall not be disclosed by the superintendent of insurance or the representatives of either society.

3. All necessary and actual expenses and compensation incident to the proceedings provided hereby shall, when allowed by the superintendent of insurance or supervising insurance officials, be paid by the fraternal benefit society or societies effecting or proposing such consolidation, merger or reinsurance, provided, however, that no brokerage or other commission shall be included in such expenses or shall be paid directly or indirectly to any person by either of the parties to any such contract in connection with the negotiation therefor or execution thereof, nor shall any compensation, direct or indirect, to be paid to any officer, director or employee of either of the parties to such contract for directly or indirectly aiding and effecting such contract of consolidation, merger or reinsurance except that it may be provided in any such contract that the executive officers of a fraternal benefit society consolidating, merging or reinsuring its business shall be employed for a period not exceeding two years from the date of such contract by the other party thereto, for services to be rendered within such period upon a basis of compensation not greater than that theretofore received by any such executive officers for services theretofore rendered the other party to such contract. A verified, itemized statement of all such expenses shall be filed with the superintendent of insurance or supervising insurance officials as the case may be, subject to approval, and when approved the same shall be binding on the parties thereto. Except as fully expressed in the contract of consolidation, merger or reinsurance, or itemized statement of expenses, as approved by the superintendent of insurance or supervising insurance officials, as the case may be, no compensation shall be paid to any person or persons, directly or indirectly, and no officer or employee of the state shall receive any compensation, directly or indirectly, for in any manner aiding, promoting or assisting any such consolidation, merger or reinsurance.

4. Any person violating the provisions of this section shall be guilty of a felony and upon conviction shall be liable to a fine of not more than five thousand dollars, or to imprisonment for not more than five years, or to both fine and imprisonment.

§ 2. This act shall take effect immediately.

Chap. 331

AN ACT to amend the insurance law, in relation to refunding over charges for taxes, fines, penalties or license fees.

Became a law April 24, 1918, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section thirty-three of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," is hereby amended to read as follows:

§ 33. **Reciprocal requirements.** If, by the existing or future laws of any state, an insurance corporation of this state having agencies in such other state or the agents thereof, shall be required to make any deposit of securities in such other state for the protection of policyholders or otherwise, or to make payment for taxes, fines, penalties, certificates of authority, license fees or otherwise, greater than the amount required by this chapter from similar corporations of such other state by the then existing laws of this state, then and in every such case, all insurance corporations of such state, established or heretofore having established an agency in this state, shall be and they are hereby required to make the like deposit for the like purposes in the insurance department of this state, and to pay the superintendent of insurance for taxes, fines, penalties, certificates of authority, license fees and otherwise, and amount equal to the amount of such charges and payments imposed by the laws of such other state upon the insurance corporations of this state and the agents thereof. If at any time it shall appear to the superintendent of insurance that he has collected from corporations of other states doing business in this state, taxes, fines, penalties or license fees in excess of the amount legally chargeable against them under the above provision, for the reason that similar corporations of this state have been overcharged by such foreign states through an erroneous interpretation of their laws by their taxing authorities, then, upon receiving satisfactory proof that such foreign states have refunded such overcharges to such domestic corporations, either by repaying the same or by giving credit allowances therefor, the superintendent

of insurance shall have power to refund to such foreign corporations any such excess of taxes, fines, penalties or license fees so collected by him, by applying the amounts thereof toward the payment of taxes, fines, penalties or license fees already due or which may hereafter become due from such foreign corporations, until such excess payments have been fully refunded. The superintendent of insurance may remit any of the fees and charges which he is required by law to collect, except such as he is required to collect by virtue of this section; but no discrimination shall be made in favor of one corporation over another from the same state or country. Whenever it shall appear to the superintendent of insurance that permission to transact business within any state of the United States or within any foreign country is refused to a company organized under the laws of this state, after a certificate of the solvency and good management of such company has been issued to it by the said superintendent and after such company has complied with any reasonable laws of such state or foreign country requiring deposits of money or securities with the government of such state or country, then and in every such case, the superintendent may forthwith cancel the authority of every company organized under the laws of such state or foreign government and licensed to do business in this state, and may refuse a certificate of authority to every such company thereafter applying to him for authority to do business in this state, until his certificate shall have been duly recognized by the government of such state or country.

§ 2. This act shall take effect immediately.

Chap. 336

AN ACT to amend the insurance law, in relation to power of guaranty companies to guarantee federal land banks against loss.

Became a law April 25, 1918, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Subdivision four of section seventy of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act

in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," as amended by chapter five hundred and five of the laws of nineteen hundred and fifteen, is hereby amended to read as follows:

4. Guaranteeing the fidelity of persons holding places of public or private trust. Guaranteeing the performance of contracts other than insurance policies; guaranteeing the performance of insurance contracts where surety bonds are accepted by states or municipalities; executing or guaranteeing bonds and undertakings required or permitted in all actions or proceedings or by law allowed; and indemnifying banks, bankers, brokers, financial or moneyed associations, or financial or moneyed corporations, against the loss of any bills of exchange, notes, drafts, acceptances of drafts, bonds, securities, evidences of debts, deeds, mortgages, documents, currency and money, except that no such contract or indemnity indemnifying banks, bankers, brokers, financial or moneyed associations, or financial or moneyed corporations, shall indemnify against loss caused by marine risks, or risks of transportation or navigation. A company authorized to do the business mentioned in this subdivision may guarantee any federal land bank against loss by reason of defective title or incumbrances on real property on which any such federal land bank may make a loan secured by a mortgage.

§ 2. This act shall take effect immediately.

Chap. 552

AN ACT to amend the insurance law, generally, in relation to marine insurance.

Became a law May 8, 1918, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section one hundred and forty-two of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-

eight of the consolidated laws," as added by chapter seven of the laws of nineteen hundred and thirteen and amended by chapter thirteen of the laws of nineteen hundred and fourteen, is hereby amended to read as follows:

§ 142. **Agent's certificate of authority.** The term "agent" in this section shall include an acknowledged agent or any person, partnership, association or corporation who shall in any manner, aid in transacting the insurance business of any underwriter, incorporated or unincorporated, by negotiating for or placing risks or delivering policies or collecting premiums, but shall not include the officers and salaried employees of any such underwriter, who do not receive commissions. Every underwriter, incorporated or unincorporated, engaged in the transaction of any business of insurance within this state, upon the employment or termination of the employment of any person, partnership, association or corporation to act as its agent within this state, shall certify such fact together with the name and address of such agent to the superintendent of insurance; and shall also annually during the month of January, in such form as the superintendent of insurance shall prescribe, file with him a list of the names and addresses of all its agents authorized to act as such within the state. No person, partnership, association or corporation shall as agent act for any such underwriter in this state, unless such underwriter shall have fully complied with the provisions of this chapter nor unless such agent shall have procured an agent's certificate of authority from the superintendent of insurance. The superintendent of insurance shall file in his office evidence of the issuance of every such certificate to an agent, together with evidence of such agent's authority from each underwriter for whom he is to act. An agent's certificate of authority shall be issued only upon application filed with the superintendent of insurance, in such form as the superintendent of insurance shall prescribe. Every such certificate shall expire on the thirty-first day of December of the calendar year in which the same shall have been issued, but if the application for the renewal of any such certificate shall have been filed with the superintendent of insurance before January first of any year such agent may continue to act as such under such expired certificate until

the issuance to him by the superintendent of insurance of a new certificate or until five days after the superintendent of insurance shall have refused to renew such certificate and shall have served notice of such refusal on such agent. Service of such notice may be made either personally or by mail, and, if by mail, shall be deemed complete if such notice is deposited in the post-office, postage prepaid, directed to the applicant at the place of residence or business specified in his application. An underwriter, authorized to transact the insurance business within this state, who shall employ as agent any person, partnership, association or corporation not having an agent's certificate of authority from the superintendent of insurance authorizing him to act as agent shall not authorize or permit such agent under his contract of employment to solicit insurance or issue policies for such underwriter until such agent shall have procured a certificate of authority as required by this section. An agent's certificate of authority shall be revoked, or the issue or renewal thereof refused, by the superintendent of insurance if, after due investigation and a hearing either before himself or before any salaried employee of the insurance department designated by him whose report he may adopt, he determines that the holder of such certificate, or the applicant therefor, as the case may be, has violated any provision of this chapter, or has been guilty of fraudulent practices. No individual, corporation, partnership or association whose certificate of authority is so revoked, nor any partnership, or association of which such individual is a member, nor any corporation of which he is an officer, shall be entitled to any certificate of authority under this section for one year after such revocation, or, if such revocation be reviewed by certiorari proceedings, for one year after the final determination thereof affirming the action of the superintendent in revoking such certificate. If any such certificate held by a partnership, association or corporation be so revoked, no member of the partnership or association or officer of the corporation shall be entitled to any such certificate for the same period of time, if the superintendent of insurance determine that such member or officer was personally at fault in the matter on account of which the certificate was revoked. The action of the superintendent of insurance in grant-

ing or refusing to grant or renew a certificate of authority or in revoking or refusing to revoke such certificate under this section shall be subject to review by writ of certiorari, at the instance of the applicant for such certificate, the holder of a certificate so revoked or the holder of any certificate or the person aggrieved. If the superintendent of insurance shall revoke or shall refuse to renew the certificate of authority of any agent issued under this section and such agent shall apply for a writ of certiorari to review such action, the certificate of authority of such agent shall be deemed to be in full force and effect for all purposes, including the right to renewal until the final determination of such certiorari proceedings and all appeals therefrom.

This section shall not apply to any contract of life insurance, nor to any contract of health or accident insurance, nor to contracts of insurance upon property located without this state, nor to contracts made by persons, partnerships, associations or corporations authorized to do business under articles five, six, seven and nine of this chapter.

Any person, partnership, association or corporation violating any provision of this section, shall in addition to any other penalty in this chapter provided, forfeit to the people of the state five hundred dollars.

Nothing in this chapter shall be so construed as to prevent any underwriter authorized to do business within this state from authorizing a broker to whom a certificate of authority has been issued under this chapter to act as agent of such underwriter for the collection of premiums.

§ 2. Section one hundred and forty-three of such chapter as added by chapter twelve of the laws of nineteen hundred and thirteen and amended by chapter fifty-six of the laws of nineteen hundred and fifteen and chapter thirty-nine of the laws of nineteen hundred and eighteen, is hereby amended to read as follows:

§ 143. **Broker's certificate of authority.** The term "broker" in this section shall include any person, partnership, association or corporation who, for money, commission or anything of value, acts or aids in any manner on behalf of the insured in negotiating contracts of insurance or placing risks or taking out insurances, including surety bonds. No underwriter, authorized

or permitted to do business in this state, or agent thereof, shall pay any money or commission or give or allow anything of value to any person, partnership, association or corporation not a duly authorized agent of such underwriter, for or because of his or its negotiating a contract of insurance or placing a risk or taking out insurance or a surety bond, unless such person, partnership, association or corporation is authorized to act as a broker. No person, partnership, association or corporation shall act as broker in the solicitation or procurement of applications for insurance or receive for or because of negotiating a contract of insurance or placing a risk or taking out insurance including a surety bond any money or commission or other thing of value from any underwriter authorized or permitted to do an insurance business in this state, or from an agent of any such underwriter, without first procuring a certificate of authority so to act from the superintendent of insurance.

The superintendent of insurance shall issue such broker's certificate of authority to a person, partnership, association or corporation, applying therefor, who is trustworthy and is competent to transact an insurance brokerage business in such manner as to safeguard the interests of the insured.

A certificate of authority issued to a corporation, partnership or association shall authorize only the officers and directors of the corporation, or the members of the partnership or association, specified in the certificate, each of whom must be qualified to obtain a certificate to act as a broker, and for each of whom a fee must be paid at the times and at the rates specified for individual applicants. The fee to be paid to the superintendent of insurance by an individual applicant for such broker's certificate at the time the application is made, and annually for the renewal thereof, shall be ten dollars, if the applicant maintains a place of business or customarily solicits business in a city of the first class; seven dollars and fifty cents, if the applicant maintains a place of business or customarily solicits business in a city of the second class; five dollars, if the applicant maintains a place of business or customarily solicits business in a city of the third class and two dollars, if the applicant does not maintain a place of business or customarily solicit business in a city. The fee to be paid annually

by a non-resident individual applicant who does not maintain a place of business in the state of New York shall be ten dollars, provided that if such applicant does not solicit business or place insurance covering property or risks situated in a city of the first or second class, the fee to be paid shall be five dollars.

Every broker's certificate of authority shall expire on the thirty-first day of December of the calendar year in which the same shall have been issued, but if an application for the renewal of any such certificate shall have been filed with the superintendent of insurance before January first of any year the certificate of authority sought to be renewed shall continue in full force and effect until the issuance by the superintendent of insurance of the new certificate applied for or until five days after the superintendent of insurance shall have refused to issue such new certificate and shall have served notice of such refusal on the applicant therefor. Service of such notice may be made either personally or by mail, and, if by mail, shall be deemed complete if such notice is deposited in the post-office, postage prepaid, directed to the applicant at the place of business specified in the application. The superintendent of insurance may issue a renewal certificate of authority to any duly licensed broker who, by reason of being engaged in military, naval, red cross or civilian service in connection with the war, is unable to make personal application for such renewal certificate, upon the filing of an application on behalf of such broker, accompanied by an affidavit showing such service and the inability of such broker to make personal application. The application and the affidavit hereinabove referred to shall be made in the form prescribed by the superintendent, by some person or persons who in his judgment have knowledge of the facts.

Before any broker's certificate of authority shall be issued by the superintendent of insurance there must be filed in his office a written application therefor. Such application shall be in the form or forms and supplements thereof prescribed by the superintendent of insurance and must set forth (1) the name and address of the applicant, and if the applicant be a partnership or association, the name and address of each member thereof, and if the applicant be a corporation, the name and address of each of its

officers and directors; (2) whether any certificate of authority as agent or broker has been issued theretofore by the superintendent of insurance to the applicant, and, if the applicant be an individual, whether any such certificate has been issued theretofore to any partnership or association of which he was or is a member or to any corporation of which he was or is an officer or director, and, if the applicant be a partnership or association, whether any such certificate has been issued theretofore to any member thereof, and, if the applicant be a corporation, whether any such certificate has been issued theretofore to any officer or director of such corporation; (3) the business in which the applicant has been engaged for the year next preceding the date of the application, and, if employed by another, the name or names and address or addresses of such employer or employers; (4) such information as the superintendent of insurance may require of applicants to enable him to determine their trustworthiness and competency to transact the insurance brokerage business in such manner as to safeguard the interests of the assured.

Except as otherwise provided in this section, an application for a broker's certificate of authority must be signed and verified by the applicant and, if made by a partnership or association, by each member thereof and if made by a corporation by each officer and director thereof to be authorized thereby to act as a broker.

A corporation, association or partnership to whom a certificate of authority shall have been issued by the superintendent of insurance under this section may at any time make an application to the superintendent of insurance for the issuance of a supplemental certificate of authority authorizing additional officers or directors of the corporation or members of the partnership or association to act as brokers, and the superintendent of insurance may thereupon issue to such corporation, association or partnership a supplemental certificate accordingly upon the payment of an additional fee for each member or officer or director thereby authorized to act as a broker.

A certificate issued under this section shall be revoked by the superintendent, if after due investigation and a hearing either before him or before any salaried employee of the insurance

department designated by him whose report he may adopt, he determines that the holder of such certificate (1) has violated any provision of the chapter by any act or thing done in respect to insurance for which such certificate is required; or (2) has made a material misstatement in the application for such certificate; or (3) has been guilty of fraudulent practices; or (4) has demonstrated his incompetency or untrustworthiness to transact the insurance brokerage business for which such certificate of authority shall have been granted by reason of anything done or omitted in or about such business under the authority of such certificate.

No individual, partnership, association or corporation whose certificate of authority is so revoked nor any partnership or association of which such individual is a member, nor any corporation of which he is an officer or director shall be entitled to any certificate of authority under this section for a period of one year after such revocation, or, if such revocation be reviewed by certiorari proceedings, for one year after the final determination thereof affirming the action of the superintendent in revoking such certificate. If any such certificate held by a partnership, association or corporation be so revoked, no member of the partnership or association or officer or director of the corporation shall be entitled to such a certificate for the same period of time, if the superintendent of insurance determines and finds that such member or officer or director was personally at fault in the matter on account of which the certificate was revoked. The holder of any such certificate or any person aggrieved may file with the superintendent of insurance a verified complaint setting forth facts from which it shall appear that any such certificate ought to be revoked. The superintendent must thereupon, after investigation and a hearing as herein provided, determine whether such certificate shall be revoked.

If an application for a certificate of authority under this section be rejected or such a certificate be revoked by the superintendent of insurance notice thereof shall forthwith be served on the applicant or on the holder of such certificate either personally or by mail, and, if by mail, such service shall be complete if such notice be deposited in the post-office, postage prepaid, directed to the applicant or the holder of such certificate, as the case may be, at the place of business specified in the application or certificate.

The action of the superintendent of insurance in granting or refusing to grant or to renew a certificate of authority or in revoking or refusing to revoke such a certificate shall be subject to review by writ of certiorari, at the instance of the applicant for such certificate, the holder of a certificate so revoked or the holder of any such certificate or the person aggrieved. If the superintendent of insurance shall revoke or shall refuse to renew the certificate of authority of any broker issued under this section and such broker shall apply for a writ of certiorari to review such action, the certificate of authority of such broker shall be deemed to be in full force and effect for all purposes; including the right to renewal, until the final determination of such certiorari proceedings and all appeals therefrom, provided the fee for such certificate be paid.

This section shall not apply to any contract of life insurance nor to contracts of insurance upon property located without this state, nor to contracts made by persons, partnerships, associations or corporations authorized to do business under articles five, six, seven and nine of this chapter.

Any person, partnership, association or corporation violating any of the provisions of this section shall, in addition to any other penalty in this chapter provided, forfeit to the people of the state five hundred dollars.

§ 3. Article four of such chapter is hereby amended by adding thereto a new section, to be section one hundred and sixty-nine, to read as follows:

§ 169. Prohibited acts in connection with marine insurance.

1. No person, partnership, association or corporation shall knowingly issue or deliver in this state any binder, cover note, certificate, policy or other evidence of a contract of insurance appertaining to or connected with marine risks and risks of transportation and navigation, including the risks of lake, river, canal and inland transportation, save on the application and in the name of some person having a bona fide interest, direct or indirect, either in the safe arrival of the vessel in relation to which the contract is made or in the safety or preservation of the subject-matter insured, or a bona fide expectation of acquiring such an interest; nor shall any broker or other person, partnership, association or corporation not

having such a bona fide interest knowingly apply for, effect, accept or transfer in this state any binder, cover note, certificate, policy or other evidence of a contract of insurance upon such risks unless duly authorized so to do by a person, partnership, association or corporation having such a bona fide interest or his duly authorized agent.

2. No person, partnership, association or corporation, whether acting as broker, agent, or otherwise in connection with the negotiating for or the issuance, delivery or transfer in this state of any binder, cover note, policy or other evidence of a contract of insurance appertaining to or connected with marine risks and risks of transportation and navigation, including the risks of lake, river, canal and inland transportation, shall, directly or indirectly, charge or receive from any person to whom such binder, cover note, certificate or other evidence of a contract of insurance is negotiated, issued, delivered or transferred, any greater sum than the rate of premium fixed therefor by the insurance corporation or underwriter obligated by way of indemnity in case of loss; provided that nothing contained herein shall prevent any duly licensed marine insurance broker from making a special contract in writing for compensation to be paid by the person by whom such broker is employed to negotiate or place insurance, and provided, further, that the said contract shall clearly state or define the amount or extent of such compensation.

3. No person, partnership, association or corporation shall knowingly issue or deliver or accept or transfer in this state any binder, cover note, certificate, policy or other evidence of a contract of insurance appertaining to or connected with marine risks and risks of transportation and navigation, including the risks of lake, river, canal and inland transportation and navigation, unless such binder, cover note, certificate, policy or other evidence of such contract of insurance shall, at the time of such issuance, delivery, acceptance or transfer, represent a bona fide contract of insurance appertaining to or connected with the risks hereinbefore specified and made by an insurance corporation or underwriter which is obligated thereby by way of indemnity in case of loss.

4. No person, partnership, association or corporation to whom there has been issued and delivered any such bona fide binder,

cover note, certificate, policy or other evidence of a contract of insurance appertaining to or connected with marine risks and risks of transportation and navigation, including the risks of lake, river, canal and inland transportation, shall subsequently sell, assign, transfer or deliver the same except to one who has acquired an insurable interest in the property insured thereunder or who shall have a bona fide expectation of acquiring such an interest.

§ 4. This act shall take effect July first, nineteen hundred and eighteen, except section three which shall take effect immediately.

Chap. 634

AN ACT to amend the workmen's compensation law, generally.

Became a law May 13, 1918, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. That part of section two constituting group forty-two of chapter eight hundred and sixteen of the laws of nineteen hundred and thirteen, entitled "An act in relation to assuring compensation for injuries or death of certain employees in the course of their employment and repealing certain sections of the labor law relating thereto, constituting chapter sixty-seven of the consolidated laws," as re-enacted and amended by chapter forty-one of the laws of nineteen hundred and fourteen and amended by chapter six hundred and twenty-two of the laws of nineteen hundred and sixteen and chapter seven hundred and five of the laws of nineteen hundred and seventeen, is hereby amended to read as follows:

Group 42. Stone cutting or dressing; marble work; manufacture of artificial stone; steel building and bridge construction or repair; installation or repair of elevators, fire escapes, boilers, engines or heavy machinery; brick-laying, tile-laying, mason work, stone-setting, concrete work, plastering; and manufacture of concrete blocks; structural carpentry; painting, papering, picture hanging, glazing, decorating or renovating; sheet metal work;

roofing; construction, repair and demolition of buildings, bridges and other structures; blasting; maintenance and care of buildings, salvage of buildings or contents; plumbing, sanitary lighting or heating installation or repair; installation and covering of pipes or boilers; junk dealers; theatrical stage carpenters, property men, electricians, stage hands, fly-men, lamp operators and moving picture machine operators.

§ 2. Section two of such chapter is hereby amended by adding thereto a new subdivision or group, to be group forty-five, to read as follows:

Group 45. All other employments not hereinbefore enumerated carried on by any person, firm or corporation in which there are engaged or employed four or more workmen or operatives regularly, in the same business or in or about the same establishment, either upon the premises or at the plant or away from the plant of the employer, under any contract of hire, express or implied, oral or written, except farm laborers and domestic servants.

§ 3. Sections thirteen and eighteen of such chapter are hereby amended to read, respectively, as follows:

§ 13. Treatment and care of injured employees. The employer shall promptly provide for an injured employee such medical, surgical or other attendance or treatment, nurse and hospital service, medicine, crutches and apparatus as the nature of the injury may require during sixty days after the injury; but the commission may where the nature of the injury or the process of recovery requires a longer period of treatment require the same from the employer. If the employer fail to provide the same, after request by the injured employee such injured employee may do so at the expense of the employer. The employee shall not be entitled to recover any amount expended by him for such treatment or services unless he shall have requested the employer to furnish the same and the employer shall have refused or neglected to do so, or unless the nature of the injury required such treatment and services and the employer or his superintendent or foreman having knowledge of such injury shall have neglected to provide the same. All fees and other charges for such treatment and services shall be subject to regulation by the commission as provided in section twenty-four of this chapter, and shall be limited

to such charges as prevail in the same community for similar treatment of injured persons of a like standard of living.

§ 18. Notice of injury. Notice of an injury for which compensation is payable under this chapter shall be given to the commission and to the employer within thirty days after the accident causing such injury, and also in case of the death of the employee resulting from such injury, within thirty days after such death. Such notice may be given by any person claiming to be entitled to compensation, or by some one in his behalf. The notice shall be in writing, and contain the name and address of the employee, and state in ordinary language the time, place, nature and cause of the injury, and be signed by him or by a person on his behalf or, in case of death, by any one or more of his dependents, or by a person on their behalf. It shall be given to the commission by sending it by mail, by registered letter, addressed to the commission at its office. It shall be given to the employer by delivering it to him or sending it by mail, by registered letter, addressed to the employer at his or its last known place of business; provided that, if the employer be a partnership then such notice may be so given to any one of the partners, and if the employer be a corporation, then such notice may be given to any agent or officer thereof upon whom legal process may be served, or any agent in charge of the business in the place where the injury occurred. The failure to give notice of injury or notice of death unless excused by the commission either on the ground that notice for some sufficient reason could not have been given, or on the ground that the employer, or his or its agents in charge of the business in the place where the accident occurred or having immediate supervision of the employee to whom the accident happened, had knowledge of the accident, or on the ground that the employer has not been prejudiced thereby, shall be a bar to any claim under this chapter, but the employer and the insurance carrier shall be deemed to have waived such notice unless the objection to the failure to give such notice or the insufficiency thereof, is raised before the commission on the hearing of a claim filed by such injured employee, or his or her dependents.

§ 4. Section twenty-eight of such chapter is hereby amended to read as follows:

§ 28. **Limitation of right to compensation.** The right to claim compensation under this chapter shall be forever barred unless within one year after the accident, or if death results therefrom, within one year after such death, a claim for compensation thereunder shall be filed with the commission, but the employer and insurance carrier shall be deemed to have waived the bar of the statute unless the objection to the failure to file the claim within one year is raised before the commission on the hearing of a claim for compensation filed by the injured employee, or his or her dependents.

§ 5. This act shall take effect immediately.

Chap. 635

AN ACT to amend the Workmen's Compensation Law, in relation to employees in lumbering operations.

Became a law May 13, 1918, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Group fourteen of section two of chapter eight hundred and sixteen of the laws of nineteen hundred and thirteen, entitled "An act in relation to assuring compensation for injuries or death of certain employees in the course of their employment, and repealing certain sections of the labor law relating thereto, constituting chapter sixty-seven of the consolidated laws," as re-enacted by chapter forty-one of the laws of nineteen hundred and fourteen and amended by chapter six hundred and twenty-two of the laws of nineteen hundred and sixteen and chapter seven hundred and five of the laws of nineteen hundred and seventeen, is hereby amended to read as follows:

Group fourteen. Lumbering, except operations solely for the production of fire wood in which not more than four persons are engaged by a single employer; logging, river-driving, rafting, booming, saw mills, bark mills; shingle mills, lath mills, lumber yards; manufacture of veneer and of excelsior; manufacture of barrels, kegs, vats, tubs, staves, spokes, or headings.

§ 2. This act shall take effect immediately.

INSURANCE DECISIONS

BY THE

COURT OF APPEALS

STATE OF NEW YORK

NOTE

The decisions herein included cover the year ending with July, 1918, and are arranged according to the dates when they were handed down. An alphabetical list will be found in the Table of Contents, pages 5 of this volume.

INSURANCE DECISIONS BY THE COURT OF APPEALS

EDWARD R. APARICIO, Respondent, *v.* NEW ENGLAND EQUITABLE
INSURANCE COMPANY, Appellant.

Aparicio v. New England Equitable Ins. Co., 177 App. Div. 551, affirmed.
(Submitted June 15, 1917, decided July 11, 1917.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered April 3, 1917, affirming a judgment in favor of plaintiff entered upon an order of Special Term granting a motion by plaintiff for judgment in his favor upon the pleadings. The plaintiff herein sued one Arteaga and one Richards and in said action replevied certain specific property. In the course of that action the defendant Arteaga gave a re-delivery bond, upon which bond the defendant herein was surety. Judgment was entered in that action in favor of the plaintiff herein, and an execution on said judgment was duly issued and returned unsatisfied. The plaintiff then brought the present action to recover on the re-delivery bond. The answer of the defendant admitted the material allegations of the complaint and attempted to set up by way of affirmative defense and counterclaim that the said judgment was procured by the perjury of the plaintiff herein. The plaintiff demurred to this defense and counterclaim.

Theodore du Moulin for appellant.

Herman Espen and *Samuel H. Guggenheimer* for respondent.
Judgment affirmed, with costs; no opinion.

Concur: HISCOCK, Ch. J., CUDDEBACK, HOGAN, CARDOZO,
POUND, CRANE and ANDREWS, JJ.

JOSHUA SILVERSTEIN, Appellant, v. STANDARD ACCIDENT INSURANCE COMPANY OF DETROIT, MICHIGAN, Respondent.

Appeal — erroneous appeal to Appellate Division from a judgment entered on its own order.

An appeal does not lie to the Appellate Division from a judgment entered upon its own order dismissing a complaint. The judgment entered thereon in the county clerk's office is the final judgment of that court and an appeal lies therefrom to the Court of Appeals. (Code Civ. Pro. §§ 1317, 1336, 1355.)

Silverstein v. Standard Accident Ins. Co., 178 App. Div. 891, affirmed. (Submitted June 6, 1917; decided October 2, 1917.)

APPEAL from a judgment entered April 30, 1917, upon an order of the Appellate Division of the Supreme Court in the first judicial department, which dismissed an appeal taken by the plaintiff from a judgment entered upon a prior order of said Appellate Division reversing an order of Special Term, denying a motion by defendant for judgment in its favor on the pleadings and granting said motion.

The action was brought to recover upon a policy of liability insurance. The facts, so far as material, are stated in the opinion.

Frank Verner Johnson for respondent.

CHASE, J. After the service of the complaint and answer both parties moved at Special Term for judgment upon the pleadings and the motions were denied. Both parties appealed from the order entered on such decision to the Appellate Division and the order was reversed (*Silverstein v. Standard Accident Insurance Company*, 175 App. Div. 639), and the motion of the defendant granted. The order of the Appellate Division was duly filed in the office of the clerk of the county of New York and judgment was entered thereon in favor of the defendant dismissing the complaint, with costs. The plaintiff then made application to the Appellate Division for leave to appeal to the Court of Appeals which application was denied. (*Silverstein v. Standard Accident Insurance Company*, 176 App. Div. 912.) An appeal was then taken to the Appellate Division from the judgment entered on its order granting the defendant's motion for judgment in its favor upon the pleadings. The Appellate Division dismissed the appeal (*Silverstein v. Standard Accident Insurance Company*, 178 App. Div. 891), and from the judg-

ment entered upon that order dismissing the appeal an appeal is taken to this court. (*Stevens v. Central National Bank of Boston*, 162 N. Y. 253.)

Section 1355 of the Code of Civil Procedure relating to an appeal to the Appellate Division among other things provides: " * * * The order made upon the appeal must be entered in the office of the clerk of the Appellate Division, and a certified copy thereof with the original case or papers upon which the appeal was heard, filed as provided in section 1353 must be transmitted by the clerk, upon payment of his fees, to the clerk of the county where the judgment or order appealed from was entered, and upon such certified copy of the order and the case or papers upon which the appeal was heard, the county clerk shall enter the judgment in his office." (*Dwight v. Gibb*, 208 N. Y. 153; *Andrews v. Cohen*, 215 N. Y. 699; *Jackson v. Smith*, 154 App. Div. 883.)

The judgment dismissing the plaintiff's complaint entered in the county clerk's office was the *judgment of the Appellate Division* and not of or by the direction of the Trial or Special Term and an appeal could have been taken therefrom to this court, as in the case of the appeal now being considered.

The question involved on this appeal does not depend upon section 1336 of the Code of Civil Procedure. (*McNamara v. Goldan*, 194 N. Y. 315, 320.) Section 1317 of the Code of Civil Procedure authorizes the Appellate Division to grant *final judgment* in a case like the one before it herein on the appeal from the order of the Special Term denying the motion for judgment upon the pleadings. (175 App. Div. 639.)

The Appellate Division was right in dismissing the appeal taken to it from its own judgment.

The judgment should be affirmed, with costs.

COLLIN, CARDOZO, POUND, McLAUGHLIN, CRANE and ANDREWS, JJ., concur.

Judgment affirmed.

UNITED STATES FIDELITY AND GUARANTY COMPANY, Respondent,
v. CARNEGIE TRUST COMPANY, Appellant.

U. S. Fidelity & Guaranty Co. v. Carnegie Trust Co., 177 App. Div. 176, affirmed.

(Submitted October 1, 1917; decided October 16, 1917.)

APPEAL from a judgment entered April 10, 1917, upon an order of the Appellate Division of the Supreme Court in the first judicial department, which affirmed an order of Special Term granting a motion by plaintiff for a judgment in its favor upon the pleadings. Defendant was a depository of the funds of estates in bankruptcy and as required by statute had given a bond for the safe custody of the deposits. The plaintiff was the surety upon this bond. When the bond was issued the Carnegie Trust Company executed a written agreement of indemnity to the plaintiff to save it harmless from loss and to reimburse it for payments made by reason of the obligation of the bond. The trust company closed its doors and effort was made to recover by priority claim the funds of the estates in bankruptcy *in toto*, but the attempt failed and preference was denied. The bankruptcy creditors then filed general unsecured claims for the full amount of the deposits. Action by the bankruptcy creditors against the plaintiff followed and the plaintiff paid the obligation of its bond with interest. Thereafter the plaintiff offered for filing a claim against the assets of the Carnegie Trust Company in liquidation for reimbursement for the payment thus made. The plaintiff founded its claim upon the indemnity agreement. The defendant rejected the claim. Upon these facts the plaintiff sued to sustain the validity of the claim. The defendant, answering, denied the claim to be a valid one and alleged separately that dividends totaling 35 per cent had been paid to general unsecured creditors of the Carnegie Trust Company including the claims of the bankruptcy creditors for whom the plaintiff was surety.

Samuel S. Koenig and *Oliver L. Goldsmith* for appellant.

William J. McArthur and *Leonidas Dennis* for respondent.

Judgment affirmed, with costs; no opinion.

Concur: HISCOCK, Ch. J.; CHASE, COLLIN, HOGAN, CARDOZO and McLAUGHLIN, JJ. Dissenting: CRANE, J.

JOHN T. GALLAGHER, Respondent, v. THE FIDELITY AND
CASUALTY COMPANY OF NEW YORK, Appellant.

Gallagher v. Fidelity & Casualty Co., 163 App. Div. 556, affirmed.
(Argued October 9, 1917; decided October 23, 1917.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the second judicial department, entered August 6, 1914, affirming a judgment in favor of plaintiff entered upon a verdict in an action upon a policy of accident insurance. Plaintiff sustained a sunstroke resulting in disability for a period of weeks for which he claimed indemnity under the policy. Defendant contended that plaintiff failed to show that the sunstroke was "suffered through accidental means" within the meaning of the policy.

Edwin A. Jones for appellant.

James F. Lynch for respondent.

Judgment affirmed, with costs; no opinion.

Concur: HISCOCK, Ch. J., CHASE, CUDDEBACK, HOGAN,
POUND, McLAUGHLIN and ANDREWS, JJ.

FRANK LAWRENCE, Respondent, v. STUYVESANT INSURANCE
COMPANY, Appellant.

Lawrence v. Stuyvesant Insurance Company, 163 App. Div. 936, affirmed.
(Argued October 16, 1917; decided October 30, 1917.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the fourth judicial department, entered June 13, 1914, affirming a judgment in favor of plaintiff entered upon a verdict in an action upon a "valued" policy of fire insurance. The answer set up as an affirmative defense: *First*. That at the time the plaintiff herein applied for insurance, he stated and represented that the automobile mentioned and described in the policy of insurance and which is the subject of the insurance had been purchased by him for the sum of \$1,750, and that its value was \$1,750; that such statements were made by him for the purpose of inducing defendant to believe that the said automobile at the time the application for insurance was made was

worth at least \$1,500; that defendant believed the statements and relied upon them and issued the policy in suit for \$1,500; that such statements were false and were known by the plaintiff to be false at the time he made them, and were made for the purpose of deceiving and misleading defendant, and did deceive and mislead defendant. *Second.* That subsequently to the fire alleged in the complaint, the plaintiff delivered to defendant a paper purporting to be a proof of loss signed and sworn to by him, wherein he said that the automobile was purchased by him for \$1,700 in January, 1910; that said statement was false, fraudulent and made by the plaintiff for the purpose of deceiving and misleading the defendant.

Herbert A. Hemingway for appellant.

Warren J. Cheney and *Frank H. Hausner* for respondent.

Judgment affirmed, with costs; no opinion.

Concur: HISCOCK, Ch. J., COLLIN, CUDDEBACK, CARDOZO, POUND, CRANE and ANDREWS, JJ.

ALEXANDER C. LA MOUTTE, Appellant, v. TITLE GUARANTY AND SURETY COMPANY, Respondent.

ALEXANDER C. LA MOUTTE, Appellant, v. JANE FRANCKE, Respondent.

La Moutte v. Title Guaranty & Surety Co., 165 App. Div. 573, affirmed.

La Moutte v. Francke, 177 App. Div. 933, affirmed.

(Argued October 19, 1917; decided November 2, 1917.)

APPEAL in first above-entitled action from a judgment of the Appellate Division of the Supreme Court in the third judicial department, entered January 19, 1915, affirming a judgment in favor of defendant entered upon a dismissal of the complaint by the court at a Trial Term without a jury. Appeal in second above-entitled action from a judgment of the Appellate Division of the Supreme Court in the second judicial department, entered March 28, 1917, affirming a judgment in favor of defendant entered upon a dismissal of the complaint by the court at a Trial Term without a jury. Plaintiff and defendant Jane Francke were husband and wife, having two children of their marriage.

A decree of separation had been made by the Supreme Court in New York county on March 30, 1908, by which the custody of the children was awarded to the wife. Subsequently, on July 27, 1911, the parties were divorced by a judgment entered in the District Court of Idaho. Thereafter the individual defendant married and assumed her present name. On July 8, 1911, plaintiff and defendant Mrs. Francke, desiring to change the situation in relation to the custody of their two children, entered into two agreements designated by them respectively "Contract A" and "Contract B," delivered to each other bonds for \$5,000 for the faithful performance of the agreements on their parts, respectively, and stipulated for and procured an amendment of the decree of March 30, 1908, so as to provide for an equal division of the custody of the two children, in conformity with the provisions of "Contract A" and "Contract B." The actions are brought on the bond, and the breach of the contract relied upon by plaintiff is the conceded fact that in the summer of 1912 defendant Mrs. Francke took the two children upon a trip to Europe, being absent from the State about fifteen weeks, without notice, "Contract B" prohibiting either party from taking the children from the State of New York and "Contract A" providing for notice of any change of residence.

Charles A. Brodek for appellant.

Harvey D. Hinman for respondents.

Judgment in each case affirmed, with costs; no opinion.

Concur: HISCOCK, Ch. J., COLLIN, CUDDEBACK, CARDOZO, POUND, CRANE and ANDREWS, JJ.

HOLLAND LAUNDRY, Appellant, *v.* TRAVELERS INSURANCE COMPANY, Respondent.

Holland Laundry v. Travelers Ins. Co., 166 App. Div. 621, affirmed.
(Argued October 19, 1917; decided November 2, 1917.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the second judicial department, entered March 15, 1915, affirming a judgment in favor of defendant entered upon a verdict directed by the court. The action is to

recover a sum of money claimed to be due under a policy of liability insurance as indemnity for loss sustained because of liability for an injury to an employee. The policy contained the following provision: "This agreement shall not apply * * * to any such injuries caused or sustained by any person employed by the assured in violation of law as to age or under the age of fourteen years if there is no legal age limit, or by any contract convict laborer." On the 25th day of March, 1910, an employee of the policyholder, the plaintiff herein, named Henrietta Della Valle, accidentally sustained bodily injuries, to recover damages for which an action was brought, and a recovery was had upon the sole ground that the said employee was under the age of sixteen years and illegally employed by this plaintiff. Judgments were thereupon entered against this plaintiff amounting to the sum of \$5,704.99, which were paid by the plaintiff, who sued to recover such amount from this defendant, asserting that the loss so sustained was covered by the aforesaid policy of insurance.

Frederick W. Sparks for appellant.

Frank Verner Johnson and *William J. Moran* for respondent.

Judgment affirmed, with costs; no opinion.

Concur: HISCOCK, Ch. J., COLLIN, CUDDEBACK, CARDOZO, CRANE and ANDREWS, JJ. Dissenting: POUND, J.

HELEN KLEIN, Appellant, *v.* THE PRUDENTIAL INSURANCE COMPANY OF AMERICA, Respondent.

Evidence — witness — construction and application of section 834 of Code of Civil Procedure — action on life insurance policy — when plaintiff in proofs of death of insured refers to death certificate of a hospital physician and agrees that it shall be part of the proofs of death, such certificate is admissible in evidence upon the trial and the testimony of the attending physician is not incompetent under section 834.

1. Section 834 of the Code of Civil Procedure is not intended to prohibit a person from testifying to such ordinary incidents and facts as are plain to the observation of any one without expert or professional knowledge, and without tacitly or otherwise inviting or receiving confidences by which the incidents or facts are or may be brought to light and obtained. (*Patten v. United Life & Accident Insurance Association*, 133 N. Y. 450, 453, followed.)

2. The plaintiff's husband made written application to the defendant company for a policy of insurance on his life payable to the plaintiff. In his application he declared that "the said policy shall not take effect until the same shall be issued and delivered by the said company, and the first premium paid thereon in full, while my health is in the same condition as described in this application." At the time of making such application he made a small payment to the defendant's agent and received a receipt therefor, in which it was stated that the payment "is in no way binding upon the said company except that said company agrees to return the amount mentioned herein in case the company declines to grant a policy on the life of said applicant." The policy was afterward handed to the applicant and the agent received the unpaid premium. Testimony was received from the physician who attended the deceased on the day previous to the receipt of this premium that he was then sick, and the plaintiff certified that her husband's health was first affected two days before payment of the premium. In answer to the question, "What was the cause of his death?" she referred to the death certificate made by a physician and in her certificate with reference to the death of the insured, says, "It is agreed that such certificate shall be considered as part of proof of death of insured." *Held*, that no error was committed in allowing the testimony given by the attending physician that deceased was sick when he attended him; that the testimony of plaintiff with reference to the death certificate of the physician made such certificate admissible in evidence as an admission against her for what it was worth and that the receipt of the proofs of death under the circumstances disclosed by the record was not error.

Klein v. Prudential Ins. Co., 165 App. Div. 986, affirmed.

(Argued October 26, 1917; decided November 13, 1917.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered December 30, 1914, affirming a judgment in favor of defendant entered upon a verdict.

The nature of the action and the facts, so far as material, are stated in the opinion.

Otto H. Droege for appellant.

Alfred M. Bailey for respondent.

CHASE, J. On January 6, 1913, the plaintiff's husband made written application to the defendant company for a policy of insurance on his life payable to the plaintiff, the premium for which was thirteen dollars payable quarterly in advance. In his application he declared "That the policy herein applied for shall be accepted subject to the privileges and provisions therein contained, the said policy shall not take effect until the same shall be issued and delivered by the said company, and the first premium

paid thereon in full, while my health is in the same condition as described in this application."

At the time of making such application he paid to the defendant's agent two dollars, and received a receipt therefore, in which it was stated that the payment "is in no way binding upon the said company except that said company agrees to return the amount mentioned herein in case the company declines to grant a policy on the life of said applicant."

On January 9 he passed the required medical examination and a policy was issued on January 15. The policy was handed to the applicant but he was unable to pay the premium therefor, and the agent told him that he was not insured until the balance of the first quarterly premium was paid. From that time until February 14 the agent repeatedly called upon the applicant for the unpaid premium, but it was not paid. On the morning of February 14 the agent received the unpaid premium by direction of the applicant at the house of his (applicant's) brother-in-law. On February 12 the applicant had a cold and a slight cough. At twelve o'clock on that day he said to his employer that he was not feeling very well and might stay at home an hour longer than usual but would be back in the afternoon. He never returned to his work. On February 13 he was attended at his home by a physician. He was then sick. He was taken to a hospital on the morning of February 14, and died there of pneumonia February 20.

The plaintiff signed a certificate in proof of her husband's death and it was delivered to the defendant accompanied by a certificate of the physician who attended him at the hospital. In her certificate she states that her husband's health was first affected February 12, and in answer therein to the question "What was the cause of his death?" she referred to the physician's certificate. She also states in the certificate that it is agreed that the certificate of the physician "shall be considered as part of proofs of death of insured."

This action was brought upon the policy and the defendant alleged as a defense that when the first premium was paid to the company the applicant's health was not the same as described in his application and that such fact was not then known to the

defendant. The question as to whether his health was the same as described in the application was submitted to the jury and the jury found in favor of the defendant. The judgment entered upon such verdict has been unanimously affirmed by the Appellate Division. There are but two questions of law presented to us by the applicant:

1. Whether it was error to receive the testimony of the physician who attended the deceased on February 13, that he was then sick.

2. Whether it was error to admit in evidence the affidavit and certificate of the hospital physician accompanying the certificate made by the plaintiff as a part of the proofs of her husband's death.

The prohibition against a physician giving evidence of matters within his knowledge relating to a patient, is statutory. It is confined to information acquired in attending a patient in a professional capacity and which is necessary to enable him to act in that capacity. (Code Civ. Pro., § 834; *People v. Koerner*, 154 N. Y. 355, 366; *People v. Austin*, 199 N. Y. 446, 452.)

The Code section is not intended to prohibit a person from testifying to such ordinary incidents and facts as are plain to the observation of any one without expert or professional knowledge, and without tacitly or otherwise inviting or receiving confidences by which the incidents and facts are or may be brought to light and obtained. It was, therefore, said by Judge EARL with the approval of all the members of this court in *Patten v. United Life & Accident Insurance Association* (133 N. Y. 450, 453): "There is nothing in section 834 which prohibited the defendant from showing that Patten was the patient of the doctor; that he attended him as a patient, and that he was sick. Nor is there anything in that section which prohibited the doctor from testifying whether he was called upon to attend Patten professionally before or after the date of the certificate, or to tell how many times he attended him, whether daily or hourly, from the 19th day of April to the 16th day of May."

The *Patten* case has been frequently followed with approval by the trial and other courts in this state. (*Becker v. Met. Life Ins. Co.*, 99 App. Div. 5, 9; *Jennings v. Supreme Council L. A. B.*

Assn., 81 App. Div. 76, 85; *McGillicuddy v. Farmers L. & T. Co.*, 26 Misc. Rep. 55, 60; *Denaro v. Prudential Ins. Co.*, 154 App. Div. 840, 842; *Hammerstein v. Hammerstein*, 74 Misc. Rep. 567.) The *Patten* opinion has been substantially quoted and approved in *Encyclopedia of Evidence*, volume 10, page 128; *Wigmore on Evidence*, volume 4, section 2384, and note; *The Modern Law of Evidence*, Chamberlayne, volume 5, section 3705, and notes.

When the information obtained by a physician extends to the existence of an ailment, although not the subject of his attendance or treatment but is acquired through an examination of the patient in attending him in a professional capacity and the discovery of which was a necessary incident to the investigation made to enable him to act in his professional capacity, it is within the language and purpose of the Code prohibition. (*Nelson v. Village of Oneida*, 156 N. Y. 219.)

We do not think that error was committed in allowing the attending physician to answer the questions propounded to him. In any case the evidence that the applicant was sick on the day before he was taken to the hospital appears almost, if not entirely, beyond controversy by testimony other than that of the attending physician. The statement of the plaintiff in her certificate as a part of the proofs of death that her husband's health was first affected on February 12 is an important admission in favor of the defendant's contention. Her reference therein to the certificate of the hospital physician made such certificate admissible in evidence as an admission against her for what it was worth. If it appears therefrom to have been based in whole or in part on hearsay evidence or on confidential communications made to him by the deceased and the plaintiff desired to prevent its being considered in evidence she should have objected to it on that ground or have made a motion to strike it from the record. The receipt of the proofs of death under the circumstances disclosed by the record was not error.

The question of waiver by the defendant does not arise as in *McClellan v. Mut. L. Insurance Co.* (217 N. Y. 336), as it does not appear that the defendant or its agent acting in its behalf knew or were put upon inquiry as to the condition of health of

the defendant's husband on the morning of February 14, when the premium was paid.

The judgment should be affirmed, with costs.

CRANE, J. I concur in so far as the affirmance is placed upon the ground that the admission of the physician's testimony, even if it were incompetent, was harmless error. It is virtually admitted that the insured was taken sick on February 13th, the day before the first premium upon the policy of insurance was paid in full, and, therefore, the physician's testimony added nothing to the fact.

HISCOCK, Ch. J., COLLIN and CARDOZO, JJ., concur with CHASE, J., and HOGAN and CRANE, JJ., concur also in memorandum by CRANE, J.; McLAUGHLIN, J., not sitting.

Judgment affirmed.

THE SPRING GARDEN INSURANCE COMPANY, Respondent, v.
MICHAEL DOLAN *et al.*, Appellants.

Spring Garden Ins. Co. v. Dolan, 166 App. Div. 236, affirmed.
(Argued October 23, 1917; decided November 13, 1917.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the third judicial department, entered February 3, 1915, affirming a judgment in favor of plaintiff entered upon a decision of the court at a Trial Term without a jury. The plaintiff is an insurance company, doing a general fire insurance business, and on or about November 2, 1905, appointed one Arthur J. Collier its agent in Cocksackie, N. Y. On the appointment of said agent he gave a bond in the penal sum of \$500 for the faithful performance of his duties as such agent with the above-named defendants as sureties. The principal of the bond, Arthur J. Collier, is not a party in this action, which is brought to recover an alleged balance due from said Collier, which, as is alleged, has not been paid and which the plaintiff seeks to recover from the defendants as sureties on the bond of said agent.

N. A. Calkins for appellants.

Jerome L. Cheney for respondent.

Judgment affirmed, with costs; no opinion.

CONCUR: HISCOCK, Ch. J., CHASE, COLLIN, HOGAN, CARDOZO, McLAUGHLIN and CRANE, JJ.

LOUIS ETTLINGER, Respondent, v. NATIONAL SURETY COMPANY,
Appellant.

Counterclaim—when surety cannot interpose cause of action, existing in favor of his principal, as a defense or counterclaim.

A party when sued upon his obligation as surety cannot avail himself of an independent cause of action existing in favor of his principal against the plaintiff as a defense or counterclaim. The defense that the principal was induced to enter into a contract by fraud is only available to a surety when the principal repudiates the contract. (*Elliott v. Brady*, 192 N. Y. 221, followed.)

Ettlinger v. National Surety Co., 165 App. Div. 986, affirmed.
(Argued October 10, 1917; decided November 13, 1917.)

APPEAL from an order of the Appellate Division of the Supreme Court in the first judicial department, entered December 24, 1914, which affirmed a judgment in favor of plaintiff entered upon an order of the court at a Trial Term granting a motion by plaintiff for judgment on the pleadings.

The nature of the action and the facts, so far as material are stated in the opinion.

Mortimer Hess, Henry L. Scheuerman and Theodore F. Kuper for appellant.

William W. Pellet for respondent.

ANDREWS, J. The plaintiff brought an action in the City Court in New York against one Theodore Kruger. The latter desired to obtain a stay of the trial of that action. To obtain such result he stipulated in open court to give to the plaintiff a surety company bond providing that in the event of the ultimate affirmance and final determination of a certain other action between the same parties then on appeal, the amount involved in the action in which he desired a stay should be paid to the plaintiff, with costs. Thereafter he obtained a bond from the National Surety Company and the action was, in fact, stayed.

Subsequently the action on appeal was affirmed and finally determined in favor of the plaintiff. The defendant Kruger did not pay the amount involved in the action stayed and this action was brought against the surety company to enforce its bond.

The defense interposed is that the stipulation with regard to the stay was obtained from Kruger by the plaintiff through fraud; and the only question involved in this appeal is whether or not such defense is available to the surety.

In the past the answer to this question has not been altogether clear. (*Putnam v. Schuyler*, 4 Hun, 166; *Morse v. Hovey*, 9 Paige, 197; *Parshall v. Lamoreaux*, 37 Barb. 189; *Strong v. Grannis*, 26 Barb. 122; *Morehouse v. B. H. R. R. Co.*, 185 N. Y. 520; *Aeschlimann v. Presbyterian Hospital*, 165 N. Y. 296; *Osborn v. Robbins*, 36 N. Y. 365; *Whitcomb v. Shultz*, 223 Fed. Rep. 268; *Patterson v. Gibson*, 81 Ga. 802; *Griffith v. Sitgreaves*, 90 Pa. St. 161.)

It should be observed, however, that in some of the cases cited whatever is said on the subject is purely obiter. In others the defense interposed by the surety was duress practiced on the principal. These are not in point because they are based upon the proposition that the minds of the parties to the contract did not meet and that, therefore, there was no contract. If so, or if the alleged contract was void, clearly the surety would not be liable.

Many of the duress cases may also be distinguished on the theory that the surety was closely related to the principal. Such is the distinction taken in *Plummer v. People* (16 Ill. 358). There it was said that sureties upon a recognizance cannot plead the duress of the principal unless they bear some such relation to each other as father and son or husband and wife. In such cases the relations between the parties are so intimate that the constraint upon one is supposed to act with equal force upon the other. To the same effect is *Harris v. Carmody* (131 Mass. 51).

The rule that prevails in this state, however, is clearly laid down in *Elliott v. Brady* (192 N. Y. 221, 226). The opinion is by Judge CHASE and it was concurred in by all the court except Chief Judge CULLEN, who concurred in the result. "A party when sued upon his obligation cannot avail himself of an independent cause of action [here fraud inducing the contract] existing in favor of his principal against the plaintiff as a defense or counterclaim. It is for the principal to determine what use he will make thereof and the surety has no control over him in this respect."

A contract induced by fraud is not void. It is voidable at the option of the party defrauded and it requires affirmative action on his part to relieve him of the obligation. (*Baird v. Mayor, etc., of N. Y.*, 96 N. Y. 567.) If he elects to avoid the contract he can do so only on the condition of returning what he has received

under it. If he elects not to avoid it he has an independent cause of action for damages arising from the fraud. (*Hazard v. Irwin*, 18 Pick. 95; *Henry v. Daley*, 17 Hun, 210.)

This cause of action belongs to him, not to the surety. The latter is not defrauded and cannot maintain an action for damages occasioned by the fraud. The surety could be allowed such damages as a defense or counterclaim only upon some principle that would make the recovery of them by him a bar to any future action or counterclaim by the principal. He might thus bar a large claim in favor of the latter by canceling a small one against himself.

"If the principal could abide by his contract, and the surety repudiate it, the strange result would be produced, that the principal would retain the fruits of the contract, whilst the surety would avoid the performance of his obligation, on the ground of its invalidity, in direct opposition to the acts of his principal, admitting that the contract was valid." (*Evans v. Keeland*, 9 Ala. 42.)

In other words, what shall be done with a contract induced by fraud is purely a question for the determination of the party on whom the fraud is committed. He may repudiate it, and if he does so the surety may avail himself of the repudiation, as was done in *Bennett v. Carey* (72 Iowa, 476). He may affirm it, in which case the surety cannot be heard to raise the question. He may suspend his action at least for a time and the surety may not compel him to elect. (*Henry v. Daley*, 17 Hun, 210; *Evans v. Keeland*, 9 Ala. 42; *Tucker v. State ex rel. Hart*, 72 Ind. 242; *Thompson v. Buckhannon*, 2 J. J. Marshall [Ky.], 416; *Oak v. Dustin*, 79 Me. 23; *Bowman v. Hiller*, 130 Mass. 153; *Robinson v. Gould*, 11 Cush. 55.)

Some of these cases are cases of duress, and, as we have said, such cases where it is held that the surety may plead the duress are not strictly in point. Where they reach the contrary conclusion, however, they are authority.

A distinction is sometimes made between cases where the surety is sued alone and those where he is sued together with his principal. But it is difficult to see how the fact that the principal is joined with the surety is material. If so, the rights of the parties depend upon the form of the action and the will of the

plaintiff. For the latter cannot be compelled to bring in the principal as a defendant in an action brought by him to obtain a money judgment. (*Bauer v. Dewey*, 166 N. Y. 402.)

Of course if principal and surety are in fact sued and the principal sets up the defense that the contract should be set aside on the ground of fraud, the surety may undoubtedly avail himself of the same defense. If the principal succeeds there is nothing upon which to base the obligation of suretyship. But the principal may not choose to take any position. He may default in the action or he may ratify the contract and counterclaim for the damages caused by the fraud. In no event can he be deprived of his right to ratify the contract or deprived of his independent cause of action to recover damages for the fraud.

The judgment appealed from should be affirmed, with costs.

HISCOCK, Ch. J., CHASE, CUDDEBACK, HOGAN and POUND, JJ., concur; McLAUGHLIN, J., not sitting.

Judgment affirmed.

JOHN BEILMAN et al., Composing the Firm of BEILMAN, McCUSKER & RIESTER et al., Respondents, v. UNITED SURETY COMPANY, Appellant.

Beilman v. United Surety Co., 168 App. Div. 921, affirmed.

(Argued November 2, 1917; decided November 20, 1917.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the second judicial department, entered April 14, 1915, affirming a judgment in favor of plaintiffs entered upon the report of a referee in an action in equity by plaintiffs (insurance agents) against the defendant surety company for an accounting under a contract of employment. Defendant by its amended answer denied that it owed the plaintiffs any moneys, and set forth that the plaintiffs were indebted to the defendant in the sum of \$3,430.45, overpayments, for which it demanded judgment against the plaintiffs.

Edwin Blumenstiel for appellant.

R. M. Cahoone for respondents.

Judgment affirmed, with costs; no opinion.

Concur: HISCOCK, Ch. J., COLLIN, CUDDEBACK, HOGAN, POUND, McLAUGHLIN and ANDREWS, JJ.

THE ADDER MACHINE COMPANY, Respondent, *v.* GERMAN FIRE
INSURANCE COMPANY OF PEORIA, ILLINOIS, Appellant.

Reported below, 176 App. Div. 908.

(Argued November 12, 1917; decided November 20, 1917.)

MOTION to dismiss an appeal from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered January 30, 1917, affirming a judgment in favor of plaintiff entered upon a verdict in an action to recover a return premium on a policy of fire insurance.

The motion was made upon the ground that no questions of law were involved; that the verdict was not directed by the court; that the Appellate Division had unanimously held that there was evidence tending to support the verdict and that the exceptions were frivolous.

Herbert M. Simon for motion.

Arthur C. Mandel opposed.

Motion denied, with ten dollars costs and necessary printing disbursements.

IDA R. WHIPPLE, Appellant, *v.* THE PRUDENTIAL INSURANCE
COMPANY OF AMERICA, Respondent.

Insurance (life)—provisions of policy limiting powers of agent to modify contract or waive requirements thereof — when such provision not binding on insured — managing agent — when evidence sufficient to show that local agent was authorized to waive provisions of policy.

1. Where a policy of life insurance contains a provision that no agent has power in behalf of the company to make or modify this or any other contract of insurance, to extend the time for paying a premium, to waive any forfeiture, or to bind the company by making any promise, or making or receiving any representation or information, such provision has no contractual restrictive power in or upon the right or freedom of the company to waive the stipulation that the policy shall not take effect until the first premium is paid in full, since it is not until a waiver has been made, as in this case by the delivery of the policy to the insured, the premium being then unpaid, that the policy becomes a contract between the parties, or binding, as a whole or as to individual provisions, as a contract upon the insured.
2. Where there is evidence that the agent of a life insurance company who conducted negotiations with the applicant for a life insurance policy was designated as the "manager" of the district in which he and the ap-

plicant lived and such designation and acts of such agent, adopted by the insurance company, permit a reasonable inference that he was the agent of the company invested with the general conduct and control, within his district, of the business of the company, and that his acts were, presumptively, those of the company, it cannot be held, as a matter of law, that he did not possess, as general agent, general powers; and where there is evidence tending to prove that such agent, by delivering the policy to the applicant before the payment of the premium thereon, waived the right of the company to prepayment, it was error, in an action brought by the beneficiary to recover the amount of the policy, for the trial court to dismiss the complaint upon the ground that the policy was inchoate and ineffective because the first premium had not been paid at the time of the death of the insured, since the evidence of a waiver furnished grounds of inference and deduction which it is the appropriate province of a jury, only, to consider.

Whipple v. Prudential Ins. Co., 165 App. Div. 984, reversed.
(Argued October 26, 1917; decided December 4, 1917.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered December 28, 1914, affirming a judgment in favor of defendant entered upon a dismissal of the complaint by the court at a Trial Term.

The nature of the action and the facts, so far as material, are stated in the opinion.

J. M. Richardson Lyeth for appellant.

Alfred M. Bailey and *Solon Weit* for respondent.

COLLIN, J. The action is to recover the sum payable to the plaintiff by a policy issued by the defendant, May 22, 1912, insuring the life of Clayton J. Whipple, the husband of the plaintiff. It is defended upon the ground that the policy was inchoate and ineffective, because the first premium had not been paid at the time of the death of the insured. The plaintiff by pleading and proof averred that the defendant waived its right that the policy should not take effect until the first premium was paid in full. At the close of the plaintiff's evidence, the trial court granted the motion of the defendant that the complaint be dismissed on the ground that a cause of action had not been proved, and gave the plaintiff an exception. The judgment of the Trial Term was affirmed by the Appellate Division by a divided vote.

The application of the insured for the policy contained this statement: "I hereby declare that all the statements and answers made or to be made to the Company's Medical Examiner, shall constitute the application and become a part of the contract of

insurance hereby applied for, and it is further agreed that the policy herein applied for shall be accepted subject to the privileges and provisions therein contained, and said policy shall not take effect until the same shall be issued and delivered by the said Company, and the first premium paid thereon in full, while my health is in the same condition as described in this application." This application was accepted and the policy was issued and delivered to the defendant. The first premium had not been paid in full at the time of the death of the applicant on July 15, 1912. The policy provided that the defendant "In Consideration of the Application for this Policy, which is hereby made a part of this contract, a copy of which Application is attached hereto, and of the payment, in the manner specified, of the premium herein stated, hereby insures the life of the" insured as stated therein. It also contained the provision: "No condition, provision or privilege of this Policy can be waived or modified in any case except by an endorsement hereon signed by the President, one of the Vice Presidents, the Secretary, one of the Assistant Secretaries, the Actuary, the Associate Actuary or one of the Assistant Actuaries. No modification or change shall be made in this Policy except such as is in accordance with the law of the State in which the same is issued. No Agent has power in behalf of the Company to make or modify this or any other contract of insurance, to extend the time for paying a premium, to waive any forfeiture, or to bind the Company by making any promise, or making or receiving any representation or information." There is neither proof nor claim by the plaintiff that the right of the defendant that the policy should not take effect until the first premium was paid thereon in full was waived in accordance with any stipulation of the provision. The defendant asserts and argues that, consequently, there could have been no legal waiver of the right. Therein it errs.

The following reasoning is sound, impeccable and established in this jurisdiction: The application is a proposition or request for the contract of insurance between the applicant and the company, the statements of which upon its acceptance by the company bind the applicant and create correlative rights to the company. The company may relinquish or waive any of those rights. The

obligations or rights of the applicant or of the company, arising through the application and its acceptance, cannot be restricted or affected by any provision of the policy, as a contract, until the policy has taken effect and become a contract between the parties. The provision of the policy last quoted by us or an analogous provision of a policy has no contractual restrictive power in or upon the right or freedom of the company to waive the stipulation that the policy shall not take effect until the first premium is paid in full, because it is not until the waiver has been made (the premium remaining unpaid) that the policy becomes a contract between the parties or binding, as a whole or as to individual provisions, as a contract, upon the insured. The defendant urges that we decided in *Russell v. Prudential Ins. Co.* (176 N. Y. 178) that the stipulation in the application could be waived only by the representatives of the company designated, and in the manner prescribed, in the provisions of the policy last above quoted. We did not so decide. The crucial point in the *Russell* case was that the trial justice erred in holding that, *as a matter of law*, under the evidence there, the general agent Tennant was authorized to waive the right of the defendant to deem the policy ineffective until the payment of the first premium. We said: "The defendant contended (at the trial) that if there was any evidence that Tennant had apparent authority to put the policy in force and waive its express conditions, and any evidence of estoppel, the questions were for the jury, but the court adhered to its view that it was a question of law upon the contract of insurance." And again: "In the case at bar there is no evidence of a course of business between the company and the insured, nor was it shown that the general agent had power to waive payment of the first premium. On the contrary, the plaintiff put in evidence the contract between the company and its general agent, which showed, affirmatively, that he possessed no such power." There was no legal evidence of a waiver, because there was no legal finding that Tennant had the authority to waive, and hence no question of waiver before us. Therefore, the controlling question in the case was, as we said: "Whether the insured is to be charged with notice of the contents of the written application, which he executed, making the same a part of the contract of insurance."

When the case was in the Appellate Division, Justice HISCOCK, now the chief judge of this court, in a dissenting opinion expressed as the ground of his dissent the view that, as a matter of law, Tennant had not either real or apparent authority to waive the right given the company by the stipulation in the application. (*Russell v. Prudential Ins. Co. of America*, 73 App. Div. 617.) We, in the case, decided two conclusions: (1) That the trial justice erred in ruling, as a matter of law, that Tennant was empowered to waive, and, consequently, the basis of the submission of the evidence to the jury was erroneous, and (2) the stipulation in the application, accepted by the company, considered by itself, bound the applicant.

We are, therefore, to determine whether or not there was any evidence that the defendant waived its right that the policy should remain ineffective until the payment of the first premium. Our conclusion depends upon the existence or non-existence of evidence tending to prove (a) that J. W. Wilson, who delivered the policy, had authority to waive the right, and (b) that his acts and language effected the waiver. The evidence as to the authority of Wilson is meager and unsatisfactory.

The policy was delivered through the mail. The negotiations for the policy were conducted and concluded by a series of letters, the first of which appearing in evidence was from "Fred W. Tasney, Manager Western Division," to the insured under date of April 4, 1912, stating: "Our Manager J. W. Wilson of Cleveland has forwarded to this office his letter to you of March 22d with your footnote thereon to the effect that you would consider an additional policy with this Company upon the Ten Year Convertible Term plan if issued to you." A letter under date of April 15 from Tasney to the insured stated: "We are writing you again in view of the receipt of a letter from Manager Wilson today, asking as to the outcome of our correspondence." Under date of April 16, the insured wrote: "Mr. Fred W. Tasney, Western Division, Prudential Insurance Co., Newark, New Jersey," stating among other things: "Mr. Wilson understands my position and the way I felt about your Company's refusal to issue this policy." On April 18, a letter from Wilson to the insured began a correspondence which continued through many letters

until July 12, 1912, and stated: "I have your letter of 16th inst. together with copy of letter to Mr. Tasney, my division manager, * * *." The correspondence related to the kinds, terms and premiums of different policies. Under date of May 16, 1912, Tasney, as "Manager Western Division," wrote the insured: "We are advised by our Manager Wilson of Cleveland to the effect that you will take additional insurance up to \$5000." The correspondence between Wilson and Whipple continued until pursuant to it Wilson sent the policy, dated May 22, to the insured by mail on May 28, and the subsequent letters from Wilson to the insured related to the adjustment and determination by Wilson of the amount of premium to be paid to Wilson by the insured. The designation of Wilson as "Manager" and the acts of Wilson adopted by the defendant permit a reasonable inference that he was the agent of the defendant invested with the general conduct and control at Cleveland of the business of the defendant and that his acts were, presumptively, those of the company. The designation of "Manager" implies general powers. It could not be held, as a matter of law, that he did not possess, as general agent, general powers.

There is evidence tending to prove that Wilson effected the waiver. As there must be a new trial, we may not with propriety or correctness attempt to define the effect due, in our opinion, to any part of the evidence. A waiver, not express, is essentially a matter of intention. If the established facts permit reasonable minds to differ as to the inferences or effects from them, a question of fact arises. When facts proved without dispute require the exercise of reason and judgment, so that one reasonable mind may infer that the party voluntarily and intentionally relinquished a right or advantage, and another reasonable mind may infer that he did not, the question of waiver is one of fact. (*Alsens American Portland Cement Works v. Degnon Contracting Company*, 222 N. Y. 34.) In the facts that the policy was delivered, as it was, when Wilson knew that Whipple could not pay the first premium because, apparently, neither Whipple nor Wilson nor the defendant knew the sum of it, by reason of the conditions under which the policy was issued, that Wilson in the negotiations offered to take Whipple's note for the difference in premium, payable within a reasonable time at his

convenience, that Whipple stated to Wilson as his understanding that if he did not have enough money to pay the difference in the premium "when the policy issues," he would send Wilson a short time note, that the policy was delivered subject to the readjustment of the premiums and statement of the amount Whipple was to pay as stated in the letters of Wilson, there was evidence that the defendant waived its right. The evidence was inconclusive and furnished grounds of inference and deduction which it is the appropriate province of a jury only to consider.

The judgment should be reversed and a new trial granted, costs to abide the event.

HISCOCK, Ch. J., CHASE, HOGAN, CARDOZO, McLAUGHLIN and CRANE, JJ., concur.

Judgment reversed, etc.

LOUIS GOODMAN, Respondent, *v.* CALEDONIAN INSURANCE COMPANY OF SCOTLAND, Appellant.

LOUIS GOODMAN, Respondent, *v.* THE INSURANCE COMPANY OF THE STATE OF PENNSYLVANIA, Appellant.

Insurance — time — words "at noon" in standard fire insurance policy mean at noon standard time, not sun time — evidence — opinion of fireman as to how long a fire had been burning, inadmissible.

1. The words "at noon" as used in the standard fire insurance policy mean at noon standard time, and not at noon sun time. (Ins. Law, L. 1909, ch. 33, § 121; Cons. Laws, ch. 28; Gen. Construction Law, L. 1909, ch. 27, § 52; Cons. Laws, ch. 22.)
2. Upon the question as to the time when a fire originated, a fireman, although one of the first to enter the burning building, was improperly allowed to express his opinion as to how long the fire had been burning. *Goodman v. Caledonian Ins. Co.*, 170 App. Div. 936, reversed. *Goodman v. Ins. Co. of State of Pennsylvania*, 170 App. Div. 936, reversed. (Argued December 3, 1917; decided December 11, 1917.)

APPEAL, in each of the above-entitled actions, from a judgment of the Appellate Division of the Supreme Court in the fourth judicial department, entered July 14, 1915, affirming a judgment in favor of plaintiff entered upon a verdict.

The nature of the actions and the facts, so far as material, are stated in the opinion.

Vernon Cole for appellants.

Michael M. Cohn for respondent.

McLAUGHLIN, J. Actions upon two policies of fire insurance. By stipulation both actions were tried together and a single verdict rendered, the amount of which by agreement of counsel, was apportioned between the defendants. Judgments were entered upon the verdict, which were unanimously affirmed by the Appellate Division, and an appeal taken to this court. The appeal is also, by stipulation, presented by one record.

The policies were of the standard form and insured ready-made clothing in a store in the city of Buffalo "from the 29th day of July, 1913, at noon, to the 29th day of July, 1914, at noon." The difference between sun time and standard time at Buffalo is 15 minutes and 36 seconds. Did the parties mean, by the use of the words "at noon," sun or standard time? The answer to this question became a very important one at the trial, in view of the time the fire occurred. There was very little evidence offered bearing upon the subject as to just when the fire started. The plaintiff testified that he left his store, fastened the windows and locked the doors at 22 minutes of 12 o'clock noon according to his watch, and 20 minutes of 12 o'clock noon according to a clock in a nearby store. Whether he meant noon by standard or sun time does not appear. The alarm of fire reached the fire department at 31 minutes past 12 o'clock standard time. It was promptly responded to and when the firemen reached the building and forced an entrance, they found plaintiff's store filled with smoke and the fire smouldering in some clothing piled on a table. Substantially the only other evidence bearing upon the question as to when the fire originated was that given by one of the firemen, who testified that in his judgment the goods on fire had been burning, when he entered the store, from one-half to three-quarters of an hour.

The finding of the jury determined that the policies were in force when the fire occurred, but their finding may have been based upon the court's charge that the words "at noon" meant at noon, sun time, and not at noon, standard time. The court correctly held that the words "at noon" were not ambiguous and that the construction of the policies was for the court, but he erred, I think, in holding that the words "at noon" meant sun time and in not instructing the jury that such words meant

standard time. The policies, as indicated, were of the standard form, a form prescribed by statute, which the defendants had to use. Indeed, neither party had anything to say about the form of the policies and the words at noon were not selected by them; they were imposed alike upon the insurer and insured by legislative enactment. (Insurance Law, § 121, Laws of 1909, ch. 33, Cons. Law, ch. 28; Richards on Insurance [3d ed.], § 227 and Append., p. 719.) The subject-matter of the insurance was located in Buffalo and the contract was there to be performed. Under such circumstances, I think it must be held that the parties intended, by the use of the words at noon to mean at noon standard time, and not at noon sun time. This conclusion seems to me necessarily to follow from the provisions of the statute relating to time. The General Construction Law (Laws of 1909, ch. 27, § 52, Cons. Laws, ch. 22) provides that "the standard time throughout this state is that of the seventy-fifth meridian of longitude west from Greenwich * * *" and the 53d section of the same act is, "any act required by or in pursuance of law to be performed at or within a prescribed time, shall be performed according to the standard time."

This view of the meaning to be ascribed to the words "at noon," as used in standard policies, is the one apparently entertained by the Circuit Court of Appeals, second circuit. (*Globe & Rutgers Fire Ins. Co. of New York v. David Moffat Co.*, 154 Fed. Rep. 13.) There, the court had under consideration the meaning of such words. Judge LACOMBE, who delivered the opinion of the court, referring to the New York statute above quoted relating to time, said if the contract were one to be performed in New York "the answer would be easy. * * * It would require very strong evidence to show that in a contract for a term of insurance upon property in this city [New York] the parties intended that the term should be measured otherwise than by standard time."

In the present case there is absolutely no evidence to show that the parties did not intend to contract with reference to standard time and the court erred in not so instructing the jury.

It is also urged that the court erred in permitting one of the firemen to express an opinion as to how long the fire had been burn-

ing when he entered the plaintiff's store. This witness had been a fireman for many years and had seen many fires. He was one of the first to enter the store. He said it was filled with smoke and the fire was smouldering in clothing on a table. He was then permitted, against defendants' objection, to express an opinion as to how long the fire had been burning. Upon the facts in this case I do not think the witness was qualified to express an opinion or that upon such facts the opinion of any witness could be received.

The judgments of the Appellate Division and Trial Term should, therefore, be reversed and a new trial ordered, with costs to appellant to abide event.

HISCOCK, Ch. J., CHASE, COLLIN, HOGAN, POUND and CRANE, JJ., concur.

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Judgments reversed, etc.

JUN 1 1921

METROPOLITAN LIFE INSURANCE COMPANY, Respondent, v. RUTH N. HEINZE et al., Appellants, Impleaded with Others.

Metropolitan Life Insurance Co. v. Heinze, 166 App. Div. 920, affirmed.
(Submitted December 3, 1917; decided December 18, 1917.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered January 28, 1915, affirming a judgment in favor of plaintiff entered upon a decision of the court on trial at Special Term. The action was brought to foreclose a mortgage made by the defendant Ruth Noyes Heinze to the plaintiff for \$140,000 on premises situated in the city of New York. A participating interest to the amount of \$15,000 had been assigned by the plaintiff to the defendant Saacke. The complaint set forth the participating interest and asked that it be adjudged that the defendant Saacke was entitled to the same and that he have judgment for this amount. This issue so tendered was joined by the service of the answer of the defendants Geer and Heinze denying the allegations as to Saacke's interest. Judgment was granted in favor of the plaintiff for foreclosure and sale and a deficiency judgment was authorized in favor of the defendant Saacke against the defendant Heinze in accordance with the prayer of the complaint. The only question

upon appeal was whether this portion of the judgment was justified.

Franklin Bien for appellants.

Philip S. Dean for respondent.

Judgment affirmed, with costs; no opinion.

CONCUR: HISCOCK, CH. J., CHASE, COLLIN, HOGAN, POUND and CRANE, JJ. Not sitting: McLAUGHLIN, J.

HYGIENIC ICE AND REFRIGERATING COMPANY, Appellant, *v.* THE
PHILADELPHIA CASUALTY COMPANY, Respondent.

Hygienic Ice & R. Co. v. Philadelphia Casualty Co., 162 App. Div. 190, affirmed.

(Argued December 3, 1917; decided December 18, 1917.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the third judicial department, entered May 18, 1914, affirming a judgment in favor of defendant entered upon a dismissal of the complaint by the court at a Trial Term without a jury. The action was brought to recover the sum of \$6,352.45 on a policy of indemnity insurance known as a "team's liability policy," which was the amount the plaintiff was required to pay on a judgment recovered against it by Adam Raible for personal injuries inflicted upon him by a horse used by the plaintiff in its business of manufacturing and selling artificial ice. The defense set up was that the loss resulting from the injury was not covered by the policy for the following reasons: (a) That the horse was not at the time in charge of the assured or of any person provided for in the declarations which are a part of the policy. (b) That within the meaning of the policy the horse was at the time of the injury being driven by a person under sixteen years of age. (c) That in breach of its warranty the plaintiff permitted a person under sixteen years of age to have charge of the horse. (d) That the horse which inflicted the injury was vicious and known to be so by the plaintiff and the use thereof was a breach of the plaintiff's warranty.

Lewis E. Carr for appellant.

P. C. Dugan for respondent.

Judgment affirmed, with costs; no opinion.

CONCUR: HISCOCK, CH. J., CHASE, COLLIN, HOGAN, POUND, McLAUGHLIN and CRANE, JJ.

ANGIE HOFF, Respondent, *v.* THE SUPREME LODGE, KNIGHTS OF PYTHIAS, et al., Defendants, and MARY HOFF, Appellant.

Hoff v. Hoff, 175 App. Div. 40, appeal dismissed.

(Submitted December 17, 1917; decided December 21, 1917.)

MOTION to dismiss an appeal from a judgment of the Appellate Division of the Supreme Court in the third judicial department, entered November 16, 1916, affirming a judgment in favor of plaintiff entered upon a decision of the court at a Trial Term without a jury in an action to recover the amount of a certificate of life insurance.

The motion was made upon the grounds that the affirmance by the Appellate Division was unanimous; that permission to appeal had not been obtained; that no questions of law were involved and that the appeal was taken for purpose of delay only.

John Alexander for motion.

Borden D. Smith for respondent.

Motion granted and appeal dismissed, with costs and ten dollars costs of motion.

PETER YOUSEY, Respondent, *v.* QUEEN INSURANCE COMPANY OF AMERICA, Appellant.

Yousey v. Queen Ins. Co. of America, 166 App. Div. 971, affirmed.

(Argued December 5, 1917; decided December 21, 1917.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the fourth judicial department, entered February 16, 1915, affirming a judgment in favor of plaintiff entered upon a verdict. The complaint alleged that on or about the 1st day of June, 1909, the defendant, through Joseph V. Baker, its agent, at Gouverneur, made and executed a certain policy of insurance, by the terms of which the defendant agreed to insure the sawmill of the plaintiff, located at Aldrich, N. Y., against loss or damage by fire, in the sum of \$1,000, and that on the 3d day of June, 1909, a fire occurred destroying the said sawmill, causing a loss to the plaintiff of more than the total amount of insurance thereon, and alleging that no proofs of loss were served pursuant to the standard form of fire insurance policy on account of the

fact that the said Joseph V. Baker refused to disclose the identity of the defendant to the plaintiff, the plaintiff having no knowledge as to what companies said Joseph V. Baker had bound, if any. The complaint further alleged that the action was not begun within one year from the date of the fire for the same reason, and demanded judgment against the defendant in the sum of \$1,000, with interest and costs. The answer of the defendant denied the making of said contract of insurance, and set up the defenses that no proof of loss was served upon the defendant, and that the action was not brought within one year after the fire, the limitation prescribed by the standard fire insurance policy, and demanded judgment that the complaint be dismissed.

Jerome L. Cheney for appellant.

Wilbur A. Porter for respondent.

Judgment affirmed, with costs; no opinion.

Concur: CHASE, COLLIN, HOGAN, POUND and CRANE, JJ.

Dissenting: HISCOCK, Ch. J., and McLAUGHLIN, J.

WALTER M. B. HARTLEY, Respondent, *v.* EAGLE INSURANCE COMPANY OF LONDON, ENGLAND, Appellant.

Usury — trial — findings — when the Appellate Division makes no finding of fact and then draws a conclusion of law unsupported by any finding of fact the judgment must be reversed — when an agreement to pay an amount which may be more or less than the legal interest, depending upon a reasonable contingency, not *ipso facto* usurious — action to cancel assignment of estate in remainder, and mortgage to secure the same, given as security for moneys advanced — when the facts do not warrant the relief demanded.

1. Where the court, upon the trial of an action, instead of finding either way upon the crucial question of fact in the case, simply finds the evidence as given by the witnesses upon that question and then draws a conclusion of law which is unsupported by any finding of fact, the judgment entered thereon must be reversed.
2. An agreement to pay an amount which may be more or less than the legal interest, depending upon a reasonable contingency, is not *ipso facto* usurious, because of the possibility that more than the legal interest will be paid. Such arrangements, however, will not be upheld in any case where the purpose is to evade the statutes against usury, no matter what form the transaction may take. The question in each case is whether the agreement is fair and reasonable, or a mere device to evade the usury statutes.
3. Every loan or payment of less than the full present value calculated

according to a mortality table, for a remainder interest, is not *ipso facto* usurious and void. This action was brought to have a transaction between the parties declared usurious and void and to direct the cancellation of the assignments and mortgage given by the plaintiff to defendant to secure moneys advanced. Whether the loan so secured was usurious depends upon the intent of the parties, to be determined from all the facts and circumstances in each case. In this case there is no finding of fact that the assignments and mortgage were made as a device for the payment of interest beyond the legal rate or that the parties had any intention of violating the usury statutes, and the facts do not warrant a judgment for the relief demanded. (*Dougherty v. Lion Fire Ins. Co.*, 183 N. Y. 302, followed; *Hall v. Eagle Ins. Co. of London, England*, 151 App. Div. 815; affirmed 211 N. Y. 507, distinguished.)

Hartley v. Eagle Ins. Co., 167 App. Div. 230, reversed.
(Argued October 29, 1917; decided January 8, 1918.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered April 15, 1915, *unanimously* affirming a judgment in favor of plaintiff entered upon a decision of the court on trial at Special Term.

The nature of the action and the facts, so far as material, are stated in the opinion.

Nathan L. Miller, Henry H. Pierce and Philip L. Miller for appellant.

Joseph M. Lesser for respondent.

MCLAUGHLIN, J. In 1901 the plaintiff became vested with an equal undivided one-fourth interest in remainder, amounting to at least \$43,750, in the estate of his grandfather, subject, however, to the life interest therein of his grandmother. In July, 1905, in consideration of a loan of \$9,500, he assigned to the defendant, through a third party, the sum of \$18,400, payable from his share of the estate with interest at 6 per cent from the death of his grandmother, the event upon which the principal sum became payable. He also executed a mortgage upon certain real property belonging to the estate as further security for the payment of the amount assigned. At the time the loan was made, plaintiff's grandmother was sixty-nine years old and upon her death defendant would have been entitled, under the assignments, to receive \$18,400 from plaintiff's share of the estate, or \$8,900 more than the amount which it had loaned to him. This action was brought to have the transaction declared usurious and void and to direct the cancellation of the assignments and mortgages.

Plaintiff had a judgment for the relief demanded, which was unanimously affirmed by the Appellate Division, and defendant appeals to this court.

The facts involved in the subject-matter of the litigation are quite similar to those considered by the court in *Hall v. Eagle Ins. Co. of London, England* (151 App. Div. 815; *affd.*, 211 N. Y. 507). The defendant, apparently relying upon that authority at the trial, claimed that the assignments and mortgage were in effect and should be adjudged to be collateral security for the repayment of the amount loaned, with interest, as was there done. In the *Hall* case, however, the life estate had terminated less than two years after the loan was made and the plaintiff had tendered to the defendant, prior to the commencement of the action, the amount loaned, with legal interest. This tender was pleaded in the complaint, which alleged that the instruments had been executed and were intended merely as collateral security, and judgment was demanded in the alternative, either that they be adjudged to be held by defendant as collateral security only, or that they be declared usurious and void. At the trial the plaintiff's evidence tended to show that the instruments were actually intended by the parties only as collateral security; but the trial court held there had been a valid purchase and sale of an expectant interest, and dismissed the complaint. On appeal, however, the Appellate Division reversed the trial court and directed the entry of a judgment in accordance with the opinion of the court. Both parties appealed to this court, where the judgment was affirmed.

In the present case the issue raised by the pleadings was whether the transaction was usurious. This was the only issue and there is an express finding of fact that it was not the intention or desire of the parties that the assignments and mortgage should merely secure the repayment of the amount loaned, with interest. There is, therefore, no ground for claiming, so far as this appeal is concerned, that the judgment should have followed the determination in the *Hall* case. It is proper to state that such claim is not now made, but the defendant insists that the facts found do not establish usury, nor entitle plaintiff to the relief granted. As the judgment of affirmance was unanimous, and no

reversible errors in the admission or exclusion of evidence are claimed, the appeal presents only one question, and that is, whether the facts found support the conclusions of law. (*City of Niagara Falls v. N. Y. C. & H. R. R. Co.*, 168 N. Y. 610, and cases cited.) That question is one of law and in deciding it the court is not limited to the grounds urged or adopted in the courts below. (*Hirsch v. New England Nav. Co.*, 200 N. Y. 263; *Abbott v. Easton*, 195 N. Y. 372.)

There certainly was no specific agreement for the payment of usurious interest, since the defendant was to receive a lump sum in repayment of the loan, and whether the amount received would be greater or less than the amount loaned, with legal interest, depended, obviously, upon the length of time that the plaintiff's grandmother lived. But since an amount in excess of the loan was to be repaid in any event, we are confronted at the outset of the discussion with the question whether, where the rate of interest depends upon a contingency which *may* render it in excess of the legal rate, the agreement was usurious. It may be conceded that the early English cases on the subject necessitate an affirmative answer to the question. The rule, as stated in the leading case of *Roberts v. Tremayne* (Cro. Jaq. 507), was that "if the casualty goes to the interest only, and not to the principal, it is usury for the party is sure to have the principal again." It is difficult to see any logical reason for this rule, and in this country, while *Roberts v. Tremayne* (*supra*) has frequently been cited, the rule has quite generally been modified to the extent of holding that if the casualty goes to the entire interest an agreement to pay interest in excess of the legal rate, depending upon a reasonable contingency which may result in no interest at all being paid, is not necessarily usurious, even though there be an absolute agreement to repay the entire principal. (29 Am. & Eng. Ency. of Law [2d ed.], 486; 39 Cyc. 952; *Potter v. Yale College*, 8 Conn. 51; *Clift v. Barrow*, 108 N. Y. 187.)

In *Clift v. Barrow* (*supra*) the plaintiff had entered into a so-called partnership agreement with a banker under which he was to receive 10 per cent interest on all his deposits, payable from the profits of the business, no interest at all being payable unless there were profits. As surviving partner he subsequently sued

a debtor of the firm, who claimed that the agreement did not constitute the plaintiff a partner and was moreover void for usury. Upon the latter point this court said: "So long as by the terms of the instrument he was not entitled to interest, unless the profits were enough to pay it, we see no basis for submitting any question of usury to a jury." (p. 194.)

But if an agreement hazarding the entire interest in consideration of the possibility of receiving more than the legal rate is not necessarily usurious, there is no logical ground for refusing to apply the same principle to a case where only a part of the legal interest is hazarded. This situation arose in *Richardson v. Hughitt* (76 N. Y. 55, 59) where the defendant had advanced money to a partnership to be used in its business of manufacturing wagons. The loans were to be repaid with interest at $5\frac{1}{4}$ per cent (7 per cent being the legal rate) and in addition the defendant was to receive a quarter of the profits realized from the sale of wagons. In answer to the claim that the agreement was usurious the court said: "As the defendant was only to receive less than 7 per cent interest, as a fixed and certain sum, and there is no certainty that the profits, discounts, and interest agreed upon— $5\frac{1}{4}$ per cent—would exceed, or even amount to 7 per cent, it is not apparent that the contract was usurious." While the issue of usury was not directly involved in that case, the language of the court quoted is entirely in accord with the principles announced in other decisions in this State; in fact, in the present case it is at least impliedly admitted that if the amount advanced by the defendant had been the full present value in July, 1905, of the \$18,400, payable upon the death of plaintiff's grandmother, the transaction would have been valid. It is obvious, however, even in that case, whether the defendant would actually receive more or less than the legal rate of interest would still have depended upon the length of time that plaintiff's grandmother lived.

I am of the opinion, therefore, that an agreement to pay an amount which may be more or less than the legal interest, depending upon a reasonable contingency, is not *ipso facto* usurious, because of the possibility that more than the legal interest will be paid. Otherwise no valid transfer or assignment of an interest

dependent upon a life estate could be made for less than the full value. Such arrangements, however, will not be upheld in any case where the purpose is to evade the statutes against usury, no matter what form the transaction may take. (*Meaker v. Fiero*, 145 N. Y. 165; *Quackenbos v. Sayer*, 62 N. Y. 344; *Birdsall v. Patterson*, 51 N. Y. 43.) The question in each case is, and necessarily must be, whether the agreement be fair and reasonable, or a mere device to evade the usury statutes. This was recognized in the opinion delivered by Presiding Justice INGRAHAM in the *Hall case* (*supra*) in which he said: "What we have to find in the transaction is the intention of the parties. * * * It was early recognized by the courts that if the form of the contract were to be controlling, the statute against usury would be substantially unenforceable, and thus it was made the duty of the court in each case presented to examine into the substance of the transaction between the parties and determine whether the intent which pervaded it was one which violated the statute." (p. 826.)

In the case now before us there is no finding of fact that the assignments and mortgage were made as a device for the payment of interest beyond the legal rate or that the parties had any intention of violating the usury statutes. The court found only that under the American Experience Tables of Mortality, plaintiff's grandmother, at the time the loan was made, had an expectancy of the life of 8.48 years and under the Carlisle Tables of 9.44 years; that under the Carlisle Tables, in July, 1905, the present worth of \$18,400 at 6 per cent, subject to the life estate of plaintiff's grandmother, was \$11,470.19; that as the plaintiff received only \$9,500, he, therefore, received \$1,970.19 less than he should have received; and as a conclusion of law, that the transaction was a loan under which the plaintiff was to repay the defendant more than the loan "and the maximum interest thereon, and is, therefore, usurious and null and void."

There is no finding as to the actual expectancy of life of plaintiff's grandmother, nor that the parties knew when the loan was made, what her expectancy was under the tables referred to; neither is there a finding that they intended to provide for the payment of interest in excess of the legal rate. But it is suggested that the first conclusion of law, to the effect that the trans-

action was a loan of \$9,500 by the defendant to the plaintiff under an arrangement by which he was to repay the full amount of the loan "and the maximum interest thereon, and is, therefore, usurious and null and void" may be treated as a finding of fact. A similar contention was made and rejected in *Alcock v. Davitt* (179 N. Y. 9). While a conclusion of law that a given transaction was usurious might, under some circumstances, be treated as a finding of fact, I do not think it can be so treated here. It is not denominated a finding of fact, but a conclusion of law, and from the way in which it is stated, I think it was intended to be a conclusion of law, predicated solely upon the proposition that because the defendant, in purchasing or making the loan upon an expected interest, paid somewhat less than the present value of that interest, calculated at six per cent according to the Carlisle Tables of Mortality, it was guilty of usury and must forfeit the entire amount. As was said by Judge Cullen in *Alcock v. Davitt* (*supra*): "It seems to us that this action presented for determination a very simple question, purely one of fact * * *; that the question has not been decided by the trial court as one of fact; and that in the absence of any reasonably clear determination of the facts on which the rights of the parties wholly depend, we should not be astute in searching through the report of the referee for some pretext for upholding the judgment." (p. 13.)

The tables of mortality are at best only slight evidence of the expectancy of life of any particular person to be considered in connection with proof of his health, constitution, habits and mode of living. (*Schell v. Plumb*, 55 N. Y. 592.) Such tables show only the average length of life among the classes whose lives are taken into consideration in preparing the tables. There are several tables which differ quite widely and it goes without saying that in any given case the habits and manner of living of the individual may be totally different from those of the persons considered in preparing the tables. (*Williams' Case*, 3 Bland, 186; Scribner on Dower [2d ed.], pp. 663-686.) No one would contend that the expectancy of life of a chronic invalid, afflicted with a disease for which there is no known cure, would equal the expectancy given in any table of mortality; and any agreement for the payment of interest in a lump sum, calculated at the legal

rate for the expectancy of such an individual, under any table of mortality, would be clearly usurious. If that be so, then the converse must necessarily be true, and it cannot be said that an agreement is invariably usurious because an amount somewhat in excess of the interest calculated according to some table of mortality is to be paid. In such cases the intention of the parties must control and must necessarily be determined.

So here the question is did the parties intend to evade the usury statutes of the state, or was the interest payable so large that, in view of all the circumstances, an intent to provide for the payment of interest beyond the legal rate will necessarily be imputed to them? (*Fiedler v. Darrin*, 50 N. Y. 437.) The court did find, as a fact, that over nine years after the loan was made, plaintiff's grandmother was still living. The amount payable, therefore, was not so large that it would have exceeded the legal rate if she lived a comparatively short time beyond her expectancy under the Carlisle Tables. Did the parties in arranging the loan, intend that the defendant should receive more than the legal rate of interest on the amount loaned? The answer to the question must necessarily depend upon their intent. That was a question of fact, as to which no finding has been made. As already indicated, the finding on the subject is that according to the more favorable of the two tables of mortality mentioned, the expectancy of the life tenant was 9.44 years and that the then present value of \$18,400 at six per cent payable on her death, was nearly \$2,000 more than the amount advanced. That finding was not a finding that her expectancy was 9.44 years, but merely that there was some evidence of it. It was by no means equivalent to a finding of usurious intent.

It, therefore, appears that upon the crucial question of fact in the case—was the transaction usurious—no finding has been made and the judgment cannot be allowed to stand. (*Dougherty v. Lion Fire Ins. Co.*, 183 N. Y. 302; *Miller v. N. Y. & N. S. Ry. Co.*, 183 N. Y. 123; *Alcock v. Davitt*, *supra*.)

In *Dougherty v. Lion Fire Ins. Co.* (*supra*) it was held, and the rule is as applicable here as it was there, that where the court, upon the trial of an action, instead of finding either way upon the crucial question of fact in the case, simply found the evidence

as given by the witnesses upon that question and then drew a conclusion of law which was unsupported by any finding of fact, the judgment entered thereon must be reversed.

In reaching the foregoing conclusion there is no intention of lessening the protection which the usury statutes were designed to afford. All that is here decided is that every loan or payment of less than the full present value, calculated according to a mortality table, for a remainder interest, is not *ipso facto* usurious and void. Whether usurious depends upon the intent of the parties, to be determined from all the facts and circumstances in each case. Such question has not here been determined and the defendant is entitled to have it determined before compelled to forfeit the amount which it loaned to the plaintiff.

For the reason given, the judgment appealed from should be reversed and a new trial ordered, with costs to abide event.

HISCOCK, Ch. J., COLLIN, CUDDEBACK, HOGAN, POUND and ANDREWS, JJ., concur.

Judgment reversed, etc.

MORGAN B. MORE, Respondent, v. THE CONTINENTAL INSURANCE COMPANY, Appellant.

More v. Continental Ins. Co., 169 App. Div. 914, affirmed.
(Argued December 4, 1917; decided January 8, 1918.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the fourth judicial department, entered June 9, 1915, affirming a judgment in favor of plaintiff entered upon a verdict in an action upon a valued policy of insurance covering the loss of an automobile by theft. The complaint alleged the issuing of the policy indemnifying against theft and valuing the car at \$1,200; that the automobile was lost by theft on the 10th day of September, 1913; that the plaintiff protected the automobile by searching for the same and by notifying the police; that the plaintiff performed the stipulations and conditions of the policy excepting that no notice in writing was given and no signed and sworn statement of loss was given, and that on the 15th day of September, 1913, the defendant waived the conditions of the policy and accepted verbal notice of the total loss as sufficient. The answer denied the due performance and the allegation as to

the waiver, and that the plaintiff protected the property, and alleged that after the claim of loss the property was recovered and placed at the disposal of the plaintiff, and an attempt was made to adjust the loss as a partial loss by appraisers, which was refused, and that there was failure to serve the verified statement commonly called proofs of loss.

Vernon Cole for appellant.

Godfrey M. Frohe for respondent.

Judgment affirmed, with costs; no opinion.

Concur: HISCOCK, Ch. J., CHASE, COLLIN, HOGAN, POUND, McLAUGHLIN and CRANE, JJ.

BATTLE ISLAND PAPER COMPANY, Respondent, *v.* PACIFIC COAST CASUALTY COMPANY, Appellant.

Battle Island Paper Co. v. Pacific Coast Casualty Co., 166 App. Div. 968, affirmed.

(Submitted December 12, 1917; decided January 8, 1918.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the fourth judicial department, entered January 22, 1915, *unanimously* affirming a judgment in favor of plaintiff entered upon a verdict in an action upon a policy of liability insurance to recover the sum of \$1,797.40 and interest on account of moneys paid by the plaintiff in satisfaction of a judgment obtained by one Angelo Mazzei in an action brought by him against the plaintiff to recover damages on account of its negligence; to recover moneys paid in satisfaction of other judgments obtained by other parties in actions brought against the plaintiff to recover damages on account of plaintiff's negligence and to recover moneys paid out by said plaintiff in satisfaction of claims brought by sundry persons against said plaintiff on account of its acts of negligence, said plaintiff alleging that said defendant company had agreed to indemnify and save harmless the plaintiff on account of said judgments and claims.

P. W. Cullinan for appellant.

Giles S. Piper for respondent.

Judgment affirmed, with costs; no opinion.

Concur: HISCOCK, Ch. J., CHASE, COLLIN, HOGAN, CARDOZO, CRANE and ANDREWS, JJ.

KINGSWAY CONSTRUCTION COMPANY, Appellant, v. METROPOLITAN LIFE INSURANCE COMPANY, Respondent.

Kingsway Construction Co. v. Metr. Life Ins. Co., 166 App. Div. 384, affirmed.

(Argued December 13, 1917; decided January 8, 1918.)

APPEAL from a judgment, entered February 23, 1915, upon an order of the Appellate Division of the Supreme Court in the first judicial department, reversing a judgment in favor of plaintiff entered upon a verdict and directing a dismissal of the complaint in an action to recover damages for failure to carry out an alleged building loan agreement. Upon the trial a motion was made by defendant at the close of the plaintiff's case and at the close of the entire case for a dismissal of the complaint and for direction of a verdict, upon the ground that the alleged application for a building loan and a letter of defendant's did not constitute a contract; that conditions precedent were not performed, and that plaintiff had failed to prove a cause of action. These motions were denied, and the court charged as a matter of law and fact that there was a contract between the parties to the action, and sent to the jury the question of performance on the part of the plaintiff and the question of damages. The reversal in the Appellate Division was based upon the grounds that there was no contract between the parties, and that there was no evidence as to any breach of contract by the defendant.

George Edwin Joseph and *Jerome A. Strauss* for appellant.

Frederick C. Tanner and *James N. Luttrell* for respondent.

Judgment affirmed, with costs; no opinion.

Concur: HISCOCK, Ch. J., CHASE, COLLIN, HOGAN, CARDOZO, CRANE and ANDREWS, JJ.

ISAAC LEVISON et al., Respondents, v. ILLINOIS SURETY COMPANY, Appellant, Impleaded with Another.

Surety bond—loan of money on accounts for merchandise sold to federal government—action upon bond given by surety company to plaintiff—invalidity of assignment to plaintiffs of moneys to be received from federal government—when plaintiffs cannot recover against the surety company for failure of principal to pay over moneys received from government.

The defendant Paul was secretary and treasurer of Vermilye & Power, a domestic corporation engaged in selling merchandise to the United States government. The defendant surety company executed a bond to the plaintiffs to continue for one year from its date. The material recitals therein and the conditions thereof are, that these plaintiffs, who are engaged in the business of loaning money on accounts, had authorized Paul to receive funds due them from the United States government and to pay them over to plaintiffs as they are received. The condition is that if Paul should account for and pay over to plaintiff all moneys received by him from the United States government on account of bills discounted by the plaintiffs for Vermilye & Power, then the obligation would be null and void; further, that the surety should be liable only in the event that Paul should commit an act of larceny or embezzlement of any of the said funds intrusted to his care. Within the year Vermilye & Power assigned to plaintiffs accounts for merchandise sold by it to the government to secure advances made to them by plaintiffs. On each assignment was an agreement signed by Vermilye & Power by Paul, in which it was provided: "All remittances received by the assignor shall be received in trust for the Commercial Trades Company (the name under which plaintiffs traded) and the identical checks or moneys constituting such remittances shall be immediately turned over to Commercial Trades Company." There is a balance remaining unpaid on the advances made by the plaintiffs on such assignments. It is claimed by them that Paul instead of turning over warrants received by him in accordance with the agreement has deposited them to the account of Vermilye & Power. This action is brought against the surety company to recover upon their bond. *Held*, that the assignment of the accounts mentioned is void under section 3477 of the United States Revised Statutes and does not vest the plaintiff with any right, legal or equitable, in the moneys paid by Paul to Vermilye & Power, and further, on examination of the evidence, that no separate or binding agreement was executed between the parties which entitles plaintiffs to recover. Hence, the plaintiffs have not shown a larceny or embezzlement by Paul within the meaning of the bond and that the plaintiffs have not and cannot sustain their complaint. (*Manhattan Commercial Co. v. Paul*, 216 N. Y. 481; *Bank of Commerce v. Downie*, 218 U. S. 345, followed.)

Levison v. Illinois Surety Company, 167 App. Div. 747, reversed.
(Argued November 20, 1917; decided January 8, 1918.)

APPEAL from a judgment, entered May 17, 1915, upon an order of the Appellate Division of the Supreme Court in the first judicial department, overruling defendant's exceptions, ordered to be heard in the first instance by the Appellate Division, denying a motion for a new trial and directing judgment in favor of plaintiffs on the verdict directed by the trial court.

The nature of the action and the facts, so far as material, are stated in the opinion.

L. Laflin Kellogg and *Alfred C. Petté* for appellant.

I. Gainsburg and *Joseph P. Segal* for respondents.

CHASE, J. At the times herein mentioned the plaintiffs were doing business as copartners under the name of Commercial Trades Company in loaning money on accounts. Vermilye & Power was a domestic corporation engaged in selling merchandise to the United States government. The defendant Frank Paul was its secretary and treasurer. On the first of November, 1910, the defendant surety company executed a bond to the plaintiffs in the sum of \$5,000 to continue for one year from its date. The material recitals therein and the condition thereof are as follows:

"WHEREAS, the said Frank Paul above named and Levison & Hanauer trading as Commercial Trades Co. are about to enter into an agreement with Vermilye & Power, Inc., for the purpose of discounting certain payments due the said Vermilye & Power, Inc., from the United States Government, and

"WHEREAS, the said Levison & Hanauer, trading as Commercial Trades Co., have authorized and empowered the said Frank Paul, the above mentioned, to receive funds from the United States Government and to pay over the same to Levison & Hanauer trading as Commercial Trades Company, as they are received,

"Now, therefore, the above condition of this obligation is such that if the said Frank Paul shall well and truly account for and pay over to the said Levison & Hanauer all moneys received by him from the United States Government on account of bills discounted by the said Levison & Hanauer for the said Vermilye & Power, Inc., then this obligation to be null and void. Nothing herein contained, however, shall be construed to impose upon the said surety any obligation or liability for any funds that shall not be collected from the United States Government on account of bills discounted by the said Levison & Hanauer trading as Commercial Trades Co. Said surety shall be liable only in the event that the said Frank Paul shall commit an act of larceny or embezzlement of any of the said funds entrusted to his care."

Before the bond was given, Paul, one of the plaintiffs, and a representative of the surety company had a conversation in which it was stated that the government would not recognize the assignment of accounts contemplated. The assignment of accounts was not, however, abandoned, but an effort was made in substance

to make the security by assignment of such accounts certain to the plaintiffs by directing Paul, as treasurer, to recognize the plaintiffs as the equitable owners of the warrants to be delivered by the government in payment of the accounts and to require him to deliver the same to the plaintiffs by reason of such ownership. For the purpose it is alleged, but not shown, of carrying out such intention, the board of directors of Vermilye & Power before such bond was given passed a resolution as follows:

“That the treasurer of this corporation, Frank Paul, shall be the only person who is authorized to endorse the name of Vermilye & Power, a corporation, to any checks, bills, notes, or drafts made payable to the said corporation.”

Within a year after the bond was given Vermilye & Power assigned to the plaintiffs several accounts for merchandise sold by it to the government to secure advances made to it by the plaintiffs which with their commissions aggregated \$8,431.10. On the back of each of said assignments was an agreement signed by Vermilye & Power by Frank Paul, its treasurer, in which the rights of assignor and assignees were stated at length and among other things it was provided: “All remittances received by the assignor shall be received in trust for the Commercial Trades Company and the identical checks or moneys constituting such remittances shall be immediately turned over to Commercial Trades Company.”

Not only were the accounts specifically assigned but the plaintiffs in further insistence upon their ownership thereof took into their possession the original bills of lading of the merchandise shipped to the government. Warrants were made from time to time by the government payable to Vermilye & Power on account of the merchandise, accounts for which were assigned as stated. These warrants or the proceeds thereof, to the extent of \$4,730.31, were delivered by Paul to the plaintiffs on account of said advances. There is a balance of \$3,700.79 with interest remaining unpaid on the advances made by the plaintiffs on such assignments. It is claimed by the plaintiffs that Paul, as treasurer, has received other warrants from the government on account of the merchandise, the accounts for which were assigned as stated, amounting to considerably more than the balance remaining

unpaid on the money advanced by the plaintiffs, but that Paul instead of turning over such warrants in accordance with the agreement with the plaintiffs has deposited them to the account of Vermilye & Power and has refused to turn the same over to the plaintiffs. This action is brought against the surety company to recover upon said bond. Judgment was directed by the trial court for the amount claimed by the plaintiffs, and that judgment has been affirmed by the Appellate Division. The surety company insists that the assignments from Vermilye & Power to the plaintiffs were absolutely null and void, because indirect violation of section 3477 of the United States Revised Statutes, which is as follows:

“All transfers and assignments made of any claim upon the United States, or of any part or share thereof or interest therein, whether absolute or conditional, and whatever may be the consideration therefor, and all powers of attorney, orders or other authorities for receiving payment of any such claim or of any part or share thereof, shall be absolutely null and void unless they are freely made and executed in the presence of at least two attesting witnesses after the allowance of such a claim, the ascertainment of the amount due, and the issuing of a warrant for the payment thereof. Such transfers, assignments and powers of attorney must recite the warrant for payment and must be acknowledged by the person making them before an officer having authority to take acknowledgments of deeds, and shall be certified by the officer; and it must appear by the certificate that the officer at the time of the acknowledgment read and fully explained the transfer, assignment, or warrant of attorney to the person acknowledging the same.”

The assignment of accounts mentioned and each of them were made before the allowance of the claims therefor or the issuing of a warrant in payment thereof and such assignments were not executed in conformity with the requirements of the statute.

The bond was given before the decision in *Manhattan Commercial Co. v. Paul* (reported in 216 N. Y. 481). Judge COLLIN in that case, referring to the case of *National Bank of Commerce v. Downie* (218 U. S. 345), said: “In that case it was held that an assignment of a claim against the United States for supplies

furnished, not in accord with the provisions of the statute, was, as between the assignee and the trustee in bankruptcy of the assignors, absolutely null and void and did not, in itself, pass to the assignee any interest, present or remote, legal or equitable, in the claims transferred, and that any other holding would 'effect a repeal of the statute by mere judicial construction in disregard of the plain, unequivocal intent of Congress as indicated by the statute.' We accept such decision as an authority and, controlled by it, hold that the present assignment or transfer or authorization was likewise absolutely null and void as between the plaintiff, Vermilye & Power and the defendant, and did not vest in the plaintiff any right whatsoever, legal or equitable, to the moneys paid by the United States on the claims to Vermilye & Power. The language of the statute and of the opinion in the *National Bank of Commerce* case interdicts further discussion." (p. 485.)

All rights, therefore, legal or equitable, arising from the assignments made by Vermilye & Power to the plaintiffs are as if such assignments had never been executed and delivered. Vermilye & Power were absolutely and unqualifiedly entitled in form and in fact to every remittance from the government on account of the merchandise sold to it by that corporation. Its agreement accompanying said assignments and also all agreements collateral thereto fall with the void assignments. The plaintiffs have their claim against Vermilye & Power for the moneys advanced to it simply as unsecured creditors. It is now claimed by the plaintiffs that the agreements executed in connection with said assignments and the bond given by the surety company were wholly independent of such assignments and as such can be sustained although the assignments are void. We will assume for the purposes of the consideration of this case that a valid agreement could have been made between Vermilye & Power, Paul, its treasurer, and the plaintiffs, by which the plaintiffs were to loan Vermilye & Power money to be paid with warrants to be received by it from the government and that Paul as the treasurer of the corporation would, with the authority of the corporation, indorse the name of Vermilye & Power thereon and deliver such identical warrants to the plaintiffs until the full payment of the amount loaned by

them to Vermilye & Power and that the surety company could guarantee the faithful performance of such an agreement and become liable to the plaintiffs thereon. Such an arrangement and agreement would only be valid and binding upon the parties because of its being entirely separate from and independent of the prohibition contained in the statute quoted. No such separate and independent agreement was executed in this case. It is manifest that Paul, assuming to act for Vermilye & Power and the plaintiffs, entered into the agreements mentioned relying upon the assignments being valid and enforceable as between the parties thereto although null and void as against the government. The formal actions of the parties so far as shown, the agreements accompanying the assignment of the accounts and the recitals contained in the bond, do not sustain the claim of an agreement separate and independent of the assignment of the accounts. The resolution of the board of directors of Vermilye & Power has no special significance and it does not purport to authorize Paul to act as the agent of the *plaintiffs*. There are no recitals in the bond of authority in Paul to act for Vermilye & Power in the execution of agreements independent of the assignments or otherwise. Such recitals refer to *plaintiffs'* authority to Paul and also to discounting certain payments due from the government. The discounts were in fact made upon the security of the void assignments and the contemporaneous agreements. The assignments being null and void there is nothing so far as appears from the record before us to prevent Vermilye & Power retaining the proceeds of the accounts for merchandise sold to the government.

The bond also expressly provides that the surety company is not to be liable unless "the said Frank Paul shall commit an act of larceny or embezzlement of any of the funds entrusted to his care."

The *Manhattan Commercial Company* case was an action based upon a similar assignment of claims for merchandise sold to the government by Vermilye & Power. It was brought against Paul, the treasurer of Vermilye & Power, to recover damages alleged to have been sustained by the plaintiff in that action through the *conversion by Paul* of money paid by the government to him as the treasurer of Vermilye & Power and which money he is alleged

to have agreed to receive as the agent for Manhattan Commercial Company and transferred to it, but which instead of transferring to it he deposited in the bank account of Vermilye & Power.

The judgment recovered against Paul in that action was reversed and the complaint dismissed, and this court, speaking by COLLIN, J., used the language quoted above. We are of the opinion, therefore, that the plaintiffs have not shown a larceny or embezzlement by Paul within the meaning of the bond and that the plaintiffs have not and cannot sustain their complaint.

There are other troublesome questions presented in this case by the appellant, but the view that we take of the merits of the controversy, as stated above, makes it unnecessary to discuss any other questions in the opinion.

The judgment should be reversed and the complaint dismissed, with costs to appellant in all courts.

HISCOCK, Ch. J., CUDDEBACK, HOGAN, POUND and ANDREWS, JJ., concur; McLAUGHLIN, J., not sitting.

Judgment reversed, etc.

SOPHIE Y. CLAUSEN et al., as Executors of GEORGE C. CLAUSEN, Deceased, Appellants, v. TITLE GUARANTY AND SURETY COMPANY, Respondent.

Clausen v. Title Guaranty & Surety Co., 168 App. Div. 569, affirmed.
(Argued January 22, 1918; decided February 5, 1918.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered June 11, 1915, affirming a judgment in favor of defendant entered upon the report of a referee. The action was brought in equity to recover commissions due to the plaintiff, as defendant's New York agent, on certain unpaid premiums due to defendant Title Guaranty and Surety Company from its customers, to whom the defendant had furnished surety bonds, the business of which had been solicited and secured by the plaintiff, as such New York agent, through the New York agency, during the period of four years. The answer set up two counterclaims and joined the

plaintiff in seeking equitable intervention and in asking that the accounts between the parties be opened and their rights readjusted.

Edmund L. Mooney, Charles Blandy and Frederick A. Card for appellants.

Eli J. Blair and Frank H. Platt for respondent.

Judgment affirmed, with costs; no opinion.

Concur: HISCOCK, Ch. J., CHASE, HOGAN, CARDOZO, POUND and ANDREWS, JJ. Not sitting: McLAUGHLIN, J.

HENRY C. McCLEMENT, Appellant *v.* THE SUPREME COURT OF
THE INDEPENDENT ORDER OF FORESTERS, Respondent.

Insurance (life)—fraternal benefit insurance society—when member of beneficial association liable for increased assessments under amendments to charter adopted after he joined the society—charter of association incorporated in Dominion of Canada subject to modification, amendment or repeal by subsequent acts of Parliament of Canada.

1. Rights that have become fully vested cannot be taken away by amendment to a corporate charter or the constitution and by-laws of the corporation. Such rights are preserved by our Constitution. Vested rights are not taken away, however, by increasing the amounts of the assessments agreed upon by a fraternal benefit society at the time of issuing to its members certificates or membership and insurance in the society, if the contract of insurance or the charter of the society expressly or otherwise clearly provides that the assessments may be changed from time to time.
2. The charter or articles of incorporation of a beneficial association become a part of the contract of membership when one joins the association as if written therein, and a member is presumed to have joined with knowledge of their terms and conditions.
3. Where the reservation of authority to amend a charter or the constitution and by-laws of a society is clear, the right to have the rate of assessment continued as originally provided is not vested or fixed beyond the possibility of reasonable changes to meet new conditions.
4. The Parliament of the Dominion of Canada is not bound by any written constitution, and its power to repeal or amend any previous act is expressly reserved by the Revised Statutes of the Dominion of Canada, and, hence, a fraternal benefit insurance society incorporated by acts of the Parliament of Canada, and doing business under its charter in this state, is not only governed and controlled by it but is subject to such modifications, restrictions and repeal as shall from time to time seem to Parliament to be required by the public good.

McClement v. Order of Foresters, 169 App. Div. 77, affirmed.

(Argued January 17, 1918; decided February 12, 1918.)

Appeal from a judgment of the Appellate Division of the Supreme Court in the fourth judicial department, entered October 27, 1915, reversing a judgment in favor of plaintiff entered upon a decision of the court on trial at Special Term and directing a dismissal of the complaint.

The nature of the action and the facts, so far as material, are stated in the opinion.

John Conboy and William H. Gilman for appellant.

Elliott G. Stevenson, Thomas G. Long, John W. Genaway and George H. Cobb for respondent.

CHASE, J. The only question involved on this appeal is the power of the defendant to charge an extraordinary assessment of \$520 against the certificate of insurance held by the plaintiff as a member of the society. The defendant is a fraternal benefit society. A declaration of incorporation of the society or order was filed in the office of the provincial register of the Province of Ontario on the 23rd day of July, 1881, pursuant to the Revised Statutes of Ontario, 1877, chapter 187. It was reincorporated by an act of the Parliament of the Dominion of Canada entitled: "An act to incorporate the Supreme Court of the Independent Order of Foresters," assented to May 2, 1889, and known as 52 Victoria, chapter 104. It expressly therein provided: "Nothing herein contained shall be held to exempt the society from the effect of any legislation hereafter passed by the Parliament of Canada in respect to any insurance powers exercised by friendly societies." The society has since 1881 maintained its principal office in the city of Toronto. Further acts amending the act of incorporation were passed by said Dominion Parliament in 1896 and 1901.

In the act of 1896 it was expressly provided: "The society shall be bound forthwith and from time to time to make assessments to an amount adequate with its other available funds to pay all obligations created under every such certificate or policy heretofore issued or hereafter to be issued without deduction or abatement." And, "Nothing herein contained shall be held to exempt the society from the effect of any legislation hereafter passed by the Parliament of Canada in respect to assessment or other insurance."

The supreme governing body of the society is a supreme court or lodge constituted of representatives from other courts or lodges

formed and governed pursuant to the terms of its charter and the constitution and by-laws adopted by the society.

In 1892 the society applied for and obtained permission to do business in the state of New York which permission still continues. On December 29, 1892, a subordinate court was organized in the city of Watertown, known as "Court Watertown." On that day the plaintiff, then nearing his thirty-sixth birthday, made application for membership therein and on January 7, 1893, the defendant issued to him a certificate of insurance of \$2,000. The contract between the parties consists of the application for membership and insurance, the certificate of insurance, and the constitution and by-laws of the society. All, however, are subject and subordinate to the defendant's charter powers.

The monthly rate of assessment on the plaintiff's certificate as then provided by the defendant's by-laws was \$1.60 per month, or eighty cents per month per thousand dollars of insurance. The certificate provided that upon the plaintiff's reaching his seventieth birthday the defendant would pay him an annuity benefit of \$200 and the same amount on each subsequent birthday until the full sum of \$2,000 was paid less any sum paid on account of total and permanent disability benefit. It also provided for payment upon total and permanent disability and for payment to a beneficiary named, in case of death.

The by-laws among other things provided (Sec. 237) that the plaintiff "Shall pay the same rate of assessment thereafter as long as he remains continuously in good standing in the order and in the same class."

There was also a special agreement indorsed on the back of the certificate which was signed by the plaintiff as follows: "I agree that the constitution and laws enacted by the Supreme Court Independent Order of Foresters as well as any and all amendments thereto which may be adopted from time to time by the said Supreme Court shall be part of this contract." The application for insurance was signed by the plaintiff in the state of New York and the policy was delivered to him in this state.

In the year 1908 the defendant caused a valuation to be made of its assets and a statement of its liabilities, and it was found that the value of the existing certificates of insurance exceeded the

accumulated mortuary fund on hand together with the then present value of future monthly assessments based upon a valuation according to the standard mortuary tables, in the sum of \$55,000,000. After this valuation and statement the defendant amended its by-laws and increased its assessments of members. By the increase of assessments made at that time the plaintiff was required to pay a monthly assessment of \$1.72 on each \$1,000 of insurance instead of eighty cents on each \$1,000 of insurance as theretofore. The plaintiff has paid this increased monthly assessment and no question is presented on this appeal relating thereto.

In 1912 the defendant caused a further valuation of its assets and statement of its liabilities to be made. The report thereof showed a deficiency of assets affecting the members who had joined the society prior to 1899 amounting to \$25,555,448. In 1913 the Parliament of the Dominion of Canada enacted a statute entitled "An act to consolidate and amend the acts relating to the supreme court of the Independent Order of Foresters and to change its name to 'The Independent Order of Foresters,' " which took effect May 16, 1913. (Chap. 113, Acts of 1913.) The act recites the several acts relating to the order hereinbefore referred to and that the society "Has by its petition prayed that the said acts be consolidated and amended to * * * empower the said society to provide for any deficiency in the accumulated funds and to create a fraternal fund and department for the relief of its members and dependents."

Among the other provisions of the act is one as follows:

"4. The society shall ascertain as at the first day of October, 1913, the valuation deficiency in respect of all outstanding mortuary benefit certificates or policies of the members who entered the society under the constitution and laws from time to time in force prior to the first day of January, 1899, and shall apportion such valuation deficiency among the said members in proportion to the amount of the member's mortuary benefit certificates or policies; Provided that the share of the valuation deficiency so apportioned to any member shall not exceed the reserve proper to such member's mortuary benefit certificate or policy according to the Foresters' experience and four per cent annual interest.

"If the Supreme Court of the society at the session to be held pursuant to the provisions of section 12 of this act, by resolution so

decides, the society may charge against each such mortuary benefit certificate or policy as an assessment, a sum not exceeding its proportion of the valuation deficiency aforesaid. Such assessment shall thereupon be payable to the society by the member on the first day of October, 1913, or if not so paid shall be a lien or debt against such member's mortuary benefit certificate or policy bearing interest until paid at the rate of four per cent per annum compounded annually and together with the interest shall be deducted by the society out of the moneys or first moneys payable by the society under said mortuary benefit certificate or policy; provided that such interest may at the option of the member be payable in equal monthly installments with the monthly premium or assessments of such member." Provision was also made for other optional methods of paying such assessments.

The supreme court of the society met in regular session as provided by the act of 1913 and accepted the act by more than a two-thirds vote and pursuant to its terms the act came into force on the day on which such acceptance took place and notice and proof thereof was filed with the superintendent of insurance of the dominion of Canada. Acting under the authority of the act of the said Dominion Parliament the supreme court of the defendant at its convention commencing August 26, 1913, by resolution charged the deficiency aforesaid upon the members who had joined the society prior to 1899 and apportioned the same among said members according to the amount of their respective certificates.

The amount so charged to the plaintiff was \$520 and that amount was declared a lien and charge on his certificate together with interest at the rate of four per cent per annum from October 1, 1913, to be compounded semi-annually. The plaintiff was given the option of paying the same in cash or in monthly assessments as by the act provided. The plaintiff refused to consent to said extraordinary assessment and this action was brought to set aside the lien and charge of said assessment upon his certificate of insurance.

Rights that have become fully vested cannot be taken away by amendment to a corporate charter or to the constitution and by-laws of the corporation. Such rights are preserved by constitution.

Vested rights are not taken away, however, by increasing the amount of the assessments agreed upon by a fraternal benefit society at the time of issuing to its members certificates of membership and insurance in the society, if the contract of insurance or the charter of the society expressly or otherwise clearly provides that the assessments may be changed from time to time.

This court has held in substance that a general power reserved by charter or the constitution and by-laws of a society to amend the same does not authorize an amendment thereof so as to impair rights expressly reserved by contract.

The decisions quoted, at least so far as they relate to assessments upon members of beneficiary societies, are based upon a construction of the contract made by the association with its members. Where the reservation of authority to amend a charter or the constitution and by-laws of a society is clear, the right to have the rate of assessment continued as originally provided is not vested or fixed beyond the possibility of reasonable changes to meet new conditions. This court in *Beach v. Maccabees* (*supra*) referring to a change of assessment by a beneficiary association, says: "If the certificate had provided that the payments therein specified should be subject to such modification as to amount, terms and conditions of payment and contingencies in which the same were payable as the endowment laws of the order from time to time might provide, the amendments would be applicable to existing members." (p. 105.)

It is not necessary to consider whether power was expressly reserved by the society in the contract with the plaintiff to change his rate of assessment because of the conclusion reached by this court that the defendant had power to change the assessments of its members by its charter as amended by the Parliament of the Dominion of Canada. Its charter was obtained as we have already stated pursuant to the Revised Statutes of the Dominion of Canada. We have quoted from the acts the provisions thereof relating to amendments thereto, but the Parliament of the Dominion of Canada is not bound by any written constitution. Power to repeal or amend every act of the Dominion Parliament is also expressly reserved by the Revised Statutes of Canada proclaimed and published under authority of the act of 49 Victoria, chapter 4, 1886,

as follows: "Every act shall be so construed as to reserve to Parliament the power of repealing or amending it and of revoking, restricting or modifying any power, privilege or advantage thereby vested in or granted to any person or party whenever such repeal, amendment, revocation, restriction, or modification is deemed by Parliament to be required for the public good." (Chap. 1, § 47.)

The charter or articles of incorporation of a beneficial association become a part of the contract of membership when one joins the association as if written therein, and a member is presumed to have joined with knowledge of their terms and conditions. (Ruling Case Law, vol. 19, page 1190; *Supreme Lodge K. of P. v. Mims*, 241 U. S. 574; *Supreme Lodge K. of P. v. Smyth*, — U. S. —, decided January 28, 1918.)

The defendant in doing business under its charter was not only governed and controlled by it but was subject to such modifications, restrictions and repeal as should from time to time seem to Parliament to be required by the public good. Its charter is carried with it wherever it goes. Every contract made by it whether in Canada or elsewhere is dependent upon its authority. It is true in this case that the plaintiff is a resident and citizen of the state of New York. In many respects the defendant when doing business in this state is subject to our laws, but its power to contract is dependent upon its charter. In *Supreme Council Royal Arcanum v. Green* (237 U. S. 531, 542), reversing this court (*Green v. Supreme Council Royal Arcanum*, 206 N. Y. 591), the courts says: "As the charter was a Massachusetts charter and the constitution and by-laws were a part thereof, adopted in Massachusetts, having no other sanction than the laws of that state, it follows by the same token that those laws were integrally and necessarily the criterion to be resorted to for the purpose of ascertaining the significance of the constitution and by-laws." (See *Sauerbrunn v. Hartford Life Ins. Co.*, 220 N. Y. 363.) In *Canada Southern Railway Company v. Gebhard* (109 U. S. 527, 537) the court says: "A corporation 'must dwell in the place of its creation, and cannot migrate to another sovereignty' (*Bank of Augusta v. Earle*, 13 Pet. 588), though it may do business in all places where its charter allows and the local laws do not forbid. (*Railroad v. Koontz*, 104 U. S. 12.) But wherever it goes for

business it carries its charter, as that is the law of its existence, (*Relfe v. Rundle*, 103 U. S. 226), and the charter is the same abroad that it is at home. Whatever disabilities are placed upon the corporation at home it retains abroad, and whatever legislative control it is subjected to at home must be recognized and submitted to by those who deal with it elsewhere. A corporation of one country may be excluded from business in another country (*Paul v. Virginia*, 8 Wall. 168), but, if admitted, it must, in the absence of legislation equivalent to making it a corporation of the latter country, be taken, both by the government and those who deal with it, as a creature of the law of its own country, and subject to all the legislative control and direction that may be properly exercised over it at the place of its creation. Such being the law, it follows that every person who deals with a foreign corporation impliedly subjects himself to such laws of the foreign government, affecting the powers and obligations of the corporation with which he voluntarily contracts, as the known and established policy of that government authorizes. To all intents and purposes, he submits his contract with the corporation to such a policy of the foreign government, and whatever is done by that government in furtherance of that policy which binds those in like situation with himself, who are subjects of the government, in respect to the operation and effect of their contracts with the corporation, will necessarily bind him. He is conclusively presumed to have contracted with a view to such laws of that government, because the corporation must of necessity be controlled by them, and it has no power to contract with a view to any other laws with which they are not in entire harmony. It follows, therefore, that anything done at the legal home of the corporation, under the authority of such laws, which discharges it from liability there, discharges it everywhere."

The language quoted from the *Canada Southern Railroad Company* case is applicable to the controversy on this appeal. The defendant's charter is subject to amendment when the Dominion Parliament deems an amendment required for the public good and the plaintiff as a part of the society is bound by such action as he and his associates may take under the charter. He is not only bound by such action as a member of the society but as a policyholder and in his contractual relations with the society.

This court in *Jemison v. Citizens' Savings Bank* (122 N. Y. 135, 140) says: "Corporations are artificial creations existing by virtue of some statute and organized for the purposes defined in their charters. A person dealing with a corporation is chargeable with notice of its powers and the purposes for which it is formed, and when dealing with its agents or officers is bound to know the extent of their power and authority. A corporation necessarily carries its charter wherever it goes, for that is the law of its existence."

The charge and lien of the assessment against the plaintiff's certificate of insurance is not a reduction thereof. It is an assessment on account thereof that he can pay in cash or by the more easy terms provided therefor, and pursuant to the terms of the amended charter and the action of the society it is a lien and charge upon the certificate of insurance until paid.

The judgment should be affirmed, with costs.

HISCOCK Ch. J., COLLIN, CUDDEBACK, HOGAN, McLAUGHLIN and CRANE, JJ., concur.

Judgment affirmed.

THOMAS MALONE, Appellant *v.* CATHOLIC RELIEF AND BENEFICIARY ASSOCIATION, Respondent.

Malone v. Catholic Relief & Beneficiary Assn., 171 App. Div. 889. affirmed. (Argued February 4. 1918; decided February 26. 1918.)

Appeal from a judgment of the Appellate Division of the Supreme Court in the fourth judicial department, entered October 27, 1915, *unanimously* affirming a judgment in favor of defendant entered upon a verdict in an action to recover upon a certificate of life insurance. The answer set up separate defenses of fraudulent statements and misrepresentations alleged to have been made by insured in the application for insurance, with respect to her condition of health at the time of the medical examination and as to whether or not she had certain diseases at that time, or had undergone operations.

Thomas A. Sullivan and *Charles F. O'Connor* for appellant.
Frank J. Fitzpatrick, for respondent.

Judgment affirmed with costs; no opinion.

CONCUR: HISCOCK, Ch. J., COLLIN, CUDDEBACK, CARDOZO, POUND, CRANE and ANDREWS, JJ.

ALEXANDER M. STEWART et al., respondent, v. THE TITLE GUARANTY AND SURETY COMPANY, Appellant.

Stewart v. Title Guaranty & Surety Co., 166 App. Div. 964, affirmed.
(Argued February 13, 1918; decided March 5, 1918.)

Appeal from a judgment of the Appellate Division of the Supreme Court in the fourth judicial department entered January 13, 1915, affirming a judgment in favor of plaintiffs entered upon the report of a referee. The complaint set forth that on May 16, 1906, the respondents entered into a contract with John F. Burke & Co. wherein that firm agreed to do certain work on a grain elevator which the respondents were under contract to construct; that to secure the due performance of the subcontract the defendant gave its bond; that Burke & Co., failed to perform; that the defendant failed to pay its bond or to complete said contract; that the plaintiff duly performed on their part and that the plaintiffs have sustained damages. The answer denied all the material allegations of the complaint and set up as a defense that Burke & Co. neglected to provide the material and work necessary to perform said contract as thereby required and failed and neglected to pay the workmen employed by them in carrying out said contract their wages as the same became due, and that the plaintiffs provided such material and work and paid such wages; that such default continued until after the time fixed for the completion of the contract; that the contract provided for completion on September 1, 1906; that it was not completed either by Burke & Co. or any one else till long afterward; that plaintiffs knew of the default aforesaid but failed to give notice to the defendant as required by the bond.

John W. Ryan for appellant.

Louis L. Babcock and *Ansley W. Sawyer* for respondents.

Judgment affirmed, with costs; no opinion.

CONCUR: HISCOCK, Ch. J., CHASE, HOGAN, POUND, McLAUGHLIN, CRANE and ANDREWS, JJ.

RED EAGLES, SUPREME COUNCIL, et al., Respondents, v.
MICHAEL REGAN et al., Appellants.

Red Eagles, Supreme Council, v. Regan, 171 App. Div. 883, affirmed.
(Argued March 8, 1918; decided March 26, 1918.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the fourth judicial department, entered October 13, 1915, *unanimously* affirming a judgment in favor of plaintiffs entered upon a decision of the court on trial at an Equity Term. The defendants were officers of Buffalo Council No. 155, Order of Red Eagles. At a meeting of said council a resolution was adopted to sever its connection with the plaintiff Supreme Council and form an independent order. A further resolution was adopted turning over all moneys in its treasury to defendant Regan as trustee for the benefit of the members. This action was brought to restrain the defendants from appropriating the funds or using the property of the council. The judgment entered restrained and enjoined the defendants from using the property and moneys of the Red Eagles, Supreme Council, and Buffalo Council No. 155, Order of Red Eagles, and directed that the ritual paraphernalia and property of the Red Eagles, Supreme Council, and Buffalo Council No. 155, be turned over to the Red Eagles, Supreme Council or to Buffalo Council No. 155, Order of Red Eagles, and that the defendants pay over to the treasurer of Buffalo Council No. 155, Order of Red Eagles, the sum of \$4,564.89, taken from the treasury of Buffalo Council with accrued interest.

John T. Ryan for appellants.

S. Fay Carr for respondents.

Judgment affirmed, with costs; no opinion.

CONCUR: HISCOCK, Ch. J., CHASE, COLLIN, CUDDEBACK, HOGAN,
McLAUGHLIN and CRANE, JJ.

MISSISSIPPI VALLEY TRUST COMPANY, as Ancillary Executor of
MARX HAMMER, Deceased, Respondent *v.* MASONIC LIFE
ASSOCIATION, Appellant.

Mississippi Valley Trust Co. v. Masonic Life Assn., 173 App. Div. 1004,
affirmed.

(Argued March 20, 1918; decided April 5, 1918.)

APPEAL from a judgment of the Appellate Division of the
Supreme Court in the fourth judicial department, entered June
5, 1916, affirming a judgment in favor of plaintiff entered upon
a verdict in an action upon a policy of life insurance. The com-
plaint alleged that the insured met his death in a fire which
destroyed the building in which he resided. The defense was, *first*,
that no satisfactory proof had been made establishing the death
of the insured, and *second*, that his membership in the defendant
association had lapsed owing to nonpayment of dues.

H. C. Minard and *Harry D. Williams* for appellant.

Vernon Cole for respondent.

Judgment affirmed, with costs; no opinion.

CONCUR: HISCOCK, Ch. J., CHASE, COLLIN, CUDDEBACK, HOGAN,
McLAUGHLIN and CRANE, JJ.

ELIZABETH GUNTRUM, as Administratrix of the Estate of
FREDERICK J. GUNTRUM, Deceased, Respondent, *v.* THE PRU-
DENTIAL INSURANCE COMPANY OF AMERICA, Appellant.

Guntrum v. Prudential Ins. Co. 173 App. Div. 512, affirmed.

(Argued March 20, 1918; decided April 5, 1918.)

APPEAL from a judgment of the Appellate Division of the
Supreme Court in the third judicial department, entered July 7,
1916, affirming a judgment in favor of plaintiff entered upon a
verdict in an action upon a policy of life insurance. The defense
was alleged nonpayment of premiums for a period exceeding four
weeks prior to the death of the insured. On the trial the plaintiff
introduced in evidence a deposition of a former agent of the de-
fendant to the effect that, while in the employ of the defendant, it
was his duty to collect a weekly premium of fifteen cents on the
policy issued by the defendant to the insured; that the said insured
"would pay me at different times when I would see him; when I

would meet him he would pay me all that he owed;" that the said insured "never had a premium receipt book—I would give him a receipt at different times;" that "whenever I met him he would pay me for his insurance premium—I would enter it in my collection book and give him receipts;" that "my payments were always turned in every week at the office and his premiums were turned into the office by me; I think I was paying them between the 18th day of September and the 25th of October, 1912;" that the insured "was always within the limit and therefore he was not in arrears and nothing to keep the insurance company from paying the claim. My collection book will show all this." The collection book was produced by the defendant and introduced in evidence. It showed the payment on August twelfth of thirty cents; on August twenty-fifth of sixty cents; on October seventh of fifteen cents; on October fourteenth of fifteen cents and on October twenty-first of fifteen cents. The case turned upon the question whether the three last payments noted in the agent's collection book had been received by the company. Also on the question whether non-entry by the agent of a note of payment in the premium receipt book belonging with the policy was fatal to plaintiff's claim or whether the requirement of such entry should be deemed waived by defendant's receipt of the premiums.

Amasa J. Parker, Jr., for appellant.

William Goldberg and *Louis J. Rezzemini* for respondent.

Judgment affirmed, with costs; no opinion.

CONCUR: CHASE, COLLIN, CUDDEBACK and HOGAN, JJ. Dis-senting: HISCOCK, Ch. J., McLAUGHLIN and CRANE, JJ.

EVELYN L. SNYDER, an Infant, by BERTHA M. SNYDER, Her Guardian ad Litem, Appellant, *v.* BERKSHIRE LIFE INSURANCE COMPANY, Respondent.

BERNICE M. SNYDER, an Infant, by BERTHA M. SNYDER, Her Guardian ad Litem, Appellant, *v.* BERKSHIRE LIFE INSURANCE COMPANY, Respondent.

Snyder v. Berkshire Life Ins. Co. (2 cases), 176 App. Div. 943. affirmed. (Argued March 22, 1918; decided April 5, 1918.)

APPEAL, in each of the above-entitled actions, from a judgment of the Appellate Division of the Supreme Court in the fourth

judicial department, entered January 8, 1917, affirming a judgment in favor of defendant entered upon a dismissal of the complaint by the court at a Trial Term in an action upon certain policies of life insurance. The defense was that the insured had made false statements in his applications upon which defendant relied in issuing the policies.

Hugh J. O'Brien and Clarence W. McKay for appellants.

William W. Armstrong for respondent.

Judgment in each case affirmed, with costs; no opinion.

CONCUR: HISCOCK, Ch. J., CHASE, COLLIN, CUDDEBACK, HOGAN, McLAUGHLIN and CRANE, JJ.

ROSINA J. BERNARD as Executrix of EDGAR G. BERNARD, Deceased, Respondent, *v.* THE COMMERCIAL TRAVELERS' MUTUAL ACCIDENT ASSOCIATION OF AMERICA, Appellant.

Bernard v. Commercial Travelers' Mut. Accident Assn., 176 App. Div. 923, affirmed.

(Argued March 27, 1918; decided April 23, 1918.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the third judicial department, entered December 29, 1916, affirming a judgment in favor of plaintiff entered upon a verdict in an action upon a certificate of accident insurance. The complaint alleged that the insured died from hemorrhage of the brain produced by a fall. The amended answer alleged as a separate defense that the certificate of membership provided that the benefits thereof should not apply to any bodily injury happening directly or indirectly in consequence of disease or in any case except where the injury was the sole and approximate cause of death. It further alleged that the death of Bernard was caused wholly or in part by bodily infirmities or disease, and denied that such death was effected solely through external violent and accidental means.

Thomas H. Guy for appellant.

Thomas F. Powers for respondent.

Judgment affirmed, with costs; no opinion.

CONCUR: HISCOCK, Ch. J., COLLIN, CUDDEBACK, CARDOZO, POUND, CRANE and ANDREWS, JJ.

HENRY LESSER, as Trustee in Bankruptcy of SAMUEL WEISS, Respondent, *v.* NEW YORK TITLE INSURANCE COMPANY, Respondent, and EASTMAN MACHINE COMPANY, Appellant, Impleaded with Another.

Lesser v. N. Y. Title Ins. Co., 171 App. Div. 915, affirmed.

(Argued March 28, 1918; decided May 7, 1918.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered December 1, 1915, affirming a judgment in favor of plaintiff entered upon a decision of the court on trial at Special Term. The defendants Redfern Lace Works and Eastman Machine Company each recovered a judgment against Samuel Weiss who was the owner of certain real property which he desired to mortgage. The judgments being a lien upon the premises an amount sufficient to cover them was retained out of the mortgage loan and deposited with the defendant title insurance company. Within five days after the deposit was made, a petition in involuntary bankruptcy was filed against Weiss, and thereafter he was adjudicated a bankrupt. The deposit was claimed by the trustee in bankruptcy and by the two judgment creditors. In this action to recover the amount the trial court held that both judgments were null and void under the provisions of section 67-f of the Bankruptcy Act of 1898, and that the premises be released and discharged from the liens thereof, and directed the respondent title insurance company to turn over to the plaintiff trustee in bankruptcy the balance of the deposit in its hands.

August Becker for appellant.

Charles L. Greenhall for plaintiff, respondent.

Henry M. Bellinger, Jr., and *James McBrien* for defendant, respondent.

Judgment affirmed, with costs; no opinion.

Concur: HISCOCK, Ch. J., COLLIN, CUDDEBACK, CARDOZO, POUND, CRANE and ANDREWS, JJ.

STANLEY M. ISAACS, as Receiver of MARIA A. VIGORITO, Respondent, v. NEW YORK LIFE INSURANCE COMPANY, Appellant.

Vigorito v. N. Y. Life Ins. Co., 175 App. Div. 986, affirmed.
(Argued May 6, 1918; decided May 28, 1918.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered January 5, 1917, modifying and affirming as modified a judgment in favor of plaintiff entered upon a verdict directed by the court in an action to recover upon a policy of life insurance. The defendant denied any liability under the policy and set up in its answer as a defense that after lapse of the policy, without further value, it was induced to reinstate the policy upon written application therefor by the insured and in reliance upon the truth of certain false and fraudulent answers and representations therein, to the effect that he had not, since the date of the policy, had any illnesses and had not consulted or been treated by any physicians and was then in good health, and that upon the discovery of the true facts after the death of the insured it notified the plaintiff of the rescission of the contract of reinstatement and tendered to her the return of a premium lien note of seventy-four dollars and thirteen cents given in connection with the application for reinstatement, in settlement of the premium in default and the next succeeding premium, and that the plaintiff received and accepted said note and thereafter retained the same.

Louis H. Cooke and *James H. McIntosh* for appellant.

John J. Cunneen and *Ashton Parker* for respondent.

Judgment affirmed, with costs; no opinion.

Concur: HISCOCK, Ch. J., CHASE, HOGAN, CARDOZO, POUND and ANDREWS, JJ. Not sitting: McLAUGHLIN, J,

JOHN C. DUVALL, an Infant, by CLAUDE A. DUVALL, His Guardian ad Litem, Respondent, v. MASSACHUSETTS BONDING AND INSURANCE COMPANY, Appellant.

Duval v. Massachusetts Bonding & Insurance Co., 178 App. Div. 909, affirmed.
(Argued May 6, 1918; decided May 28, 1918.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the fourth judicial department, entered April 9,

1917, *unanimously* affirming a judgment in favor of plaintiff entered upon a verdict in an action upon a policy of accident insurance. The answer admitted the issuance and delivery of the policy by the United States Health and Accident Company, and the assumption of the obligations of that company by the defendant, subject to these terms, conditions, covenants, and agreements contained in the policy, but denied any further liability whatsoever under said policy, and alleged that the plaintiff had failed to comply with the terms and conditions of the policy, and thereby forfeited all rights to indemnity under the policy, and further that he had ceased to be wholly and continuously disabled and prevented from performing any and every duty pertaining to any business or occupation, and that the limit of the further liability, if any, of the further liability, if any, of the defendant under said policy, was the balance for partial loss of time on the basis of one-half the indemnity for total disability for a period of six months immediately following total loss of time.

Charles E. Spencer for appellant.

Clarence Z. Spriggs for respondent.

Judgment affirmed, with costs; no opinion.

Concur: CHASE, HOGAN, CARDOZO, POUND and ANDREWS, JJ.
Dissenting: HISCOCK, Ch. J., and McLAUGHLIN, J.

LUKE V. LOCKWOOD, as Executor of RICHARD A. CANFIELD, Deceased, Appellant, *v.* NEW YORK LIFE INSURANCE COMPANY, Respondent.

Lockwood v. N. Y. Life Ins. Co., 175 App. Div. 24, affirmed.
(Argued May 13, 1918; decided May 28, 1918.)

APPEAL from a judgment, entered December 21, 1916, upon an order of the Appellate Division of the Supreme Court in the first judicial department, reversing a judgment in favor of plaintiff entered upon a decision of the court at a Trial Term without a jury in an action upon a policy of life insurance. The defendant alleged that the insured, after some negotiations with the company in regard to a surrender of his policy wrote a letter to an officer of the company containing the following: "Therefore I

will thank you to send me a check for the surrender value of my policy, less my loan from the Company." That thereupon and after the receipt of said letter from said Canfield said defendant duly canceled said policy on its records as surrendered for its cash surrender value and there and then made its check for the amount of said cash surrender value less the amount of said loan on said policy, and duly sent the same to said Canfield, who died before receiving the check. His executor sued to recover the face value of the policy less the loan. The Appellate Division held that by the letters which passed between the parties, namely upon the request of Canfield, an offer made by the company and an acceptance in writing by him, followed immediately by the action of the company in drawing its check and canceling its policy, there was a complete novation and that the executor can only recover upon the new contract voluntarily entered into in his lifetime by his decedent.

Abram I. Elkus, Robert L. Redfield, Samuel Kramer and Richard P. Lydon for appellant

James H. McIntosh and Louis H. Cook for respondent.

Judgment affirmed, with costs; no opinion.

Concur: HISCOCK, Ch. J., CUDDEBACK, CARDOZO, POUND, McLAUGHLIN, CRANE and ANDREWS, JJ.

MARION L. EVANS, as Executrix of GRIFFITH EVANS, Deceased,
Respondent, *v.* SUPREME COUNCIL OF THE ROYAL ARCANUM
et al., Appellants.

Insurance (life)—fraternal benefit societies—a member of a fraternal benefit society who agreed in his application that he might be suspended or expelled for failure to pay dues and assessments and who has refused to pay assessments cannot maintain an action to restrain the society from suspending him nor can his executrix continue or maintain it.

The plaintiff's testator became a member of the defendant, a fraternal benefit society. In his application for membership he agreed that his suspension or expulsion from, or his voluntary severing his connection with, the society would forfeit the rights of himself and family or dependents to all benefits and privileges therein. He also agreed to make punctual payments of all dues and assessments for which he might become liable and to conform in all respects to the laws, rules and usages of the society then in force, or which

might thereafter be adopted. The certificate of membership issued to him provided that if he complied with the laws, rules and regulations then existing, or which might thereafter be enacted, governing the council and fund, the society would, upon receiving satisfactory evidence of his death, pay to his widow the sum named therein. At different times after he became a member the assessments were increased. In 1916 he refused to pay an increased assessment, and was notified that unless he paid that sum he would be suspended from membership and lose all the benefits accruing under the by-laws. In refusing to pay the assessments he relied upon a decision of this court (*Green v. Royal Arcanum*, 206 N. Y. 591) to the effect that the amendment of 1905 increasing the assessment was unauthorized and invalid. He then brought this action, the purpose of which was to procure a judgment directing the society to receive the amount fixed at the time he became a member each month as his assessment, and to enjoin it from suspending him upon his making such payment. Upon the complaint and affidavits he obtained an injunction *pendente lite*, enjoining the society from suspending him as a member and from in any manner interfering with his rights and privileges as such. To obtain the injunction he gave the usual undertaking. After his death the action was continued in the name of his executrix, who served a supplemental complaint, in which she asked that it be adjudged he was a member in good standing at the time of his death, and that the contract was then in force, and that the valid, legal rate of assessment from October 1, 1913, to the time of his death be determined. *Held*, that decedent was not at the time of his death a member of the society, and that plaintiff, as executrix, could not in any event maintain the action, since she, as such, has no interest in its subject-matter. (*Royal Arcanum v. Green*, 237 U. S. 531, followed.)

Evans v. Royal Arcanum, 181 App. Div. 916, reversed.

(Argued May 14, 1918; decided May 28. 1918.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the fourth judicial department, entered December 7, 1917, affirming a judgment in favor of plaintiff entered upon a decision of the court on trial at Special Term.

The nature of the action and the facts, so far as material, are stated in the opinion.

Howard C. Wiggins for appellants.

MCLAUGHLIN, J. In March, 1886, Griffith Evans, the plaintiff's testator, became a member of the defendant Supreme Council of the Royal Arcanum, a fraternal benefit society. One of its by-laws provided that the object of the society was to establish a widows' and orphans' benefit fund, from which, on satisfactory evidence of the death of a member in good standing, a sum not exceeding three thousand dollars would be paid to his widow, if he had so directed.

In his application for membership he agreed that his suspension or expulsion from, or his voluntarily severing his connection with, the society would forfeit the rights of himself and his family or dependents to all benefits and privileges therein. He also agreed to make punctual payments of all dues and assessments for which he might become liable and to conform in all respects to the laws, rules and usages of the society then in force or which might thereafter be adopted. Upon this application a certificate of membership was issued to him which provided, in part, that if he complied with the laws, rules and regulations then existing, or which might thereafter be enacted, governing the council and fund, the society would, upon receiving satisfactory evidence of his death, pay to his widow, Marion L. Evans, a sum not exceeding \$3,000.

At the time he became a member, assessments of \$1.68 were imposed at irregular intervals, which he paid until 1898, when the by-laws were amended and he was required to pay a monthly assessment of \$3.44. These assessments he paid until 1905, when the by-laws were again amended and he was required to pay a monthly assessment of \$6.33 until he attained the age of sixty-five, when it was increased to \$16.08. He paid the monthly assessment of \$6.33 to and including February, 1913, when he became sixty-five years of age, and thereafter paid \$16.08 each month until the 1st of October of that year, when he tendered the assessment of \$3.44 under the amendment of 1898 and also the sum of \$6.33 under the amendment of 1905. The tenders were refused upon the ground that the amount due was \$16.08, and he was notified at the time of such refusal that unless he paid that sum he would be suspended from membership and lose all the benefits accruing under the by-laws. In refusing to pay the assessments he relied upon a decision of this court (*Green v. Royal Arcanum*, 206 N. Y. 591) to the effect that the amendment of 1905, increasing the assessment to \$16.08, was unauthorized and invalid.

He then brought this action, the purpose of which was to procure a judgment directing the society to receive the sum of \$3.44 each month as his assessment; and to enjoin it from suspending him upon his making such payment. Upon the complaint and affidavits he obtained an injunction *pendente lite*, enjoining the

society from suspending him as a member and from in any manner interfering with his rights and privileges as such. To obtain the injunction he gave an undertaking in the sum of \$250, to the effect that he would pay to the defendant such damages, not exceeding that sum, as it might sustain by reason of the injunction, if it were finally determined that he was not entitled thereto.

This was the situation when he died on March 23, 1915. After his death the action was continued in the name of his executrix, who served a supplemental complaint, in which she asked that it be adjudged he was a member in good standing at the time of his death; that the contract was then in force; and that the valid, legal rate of assessment from October 1, 1913, to the time of his death be determined. At the trial the facts were stipulated, from which it appeared that an appeal was taken from the decision of this court in *Green v. Royal Arcanum* (*supra*) to the Supreme Court of the United States, which reversed this court and held, in substance, that the amendment of 1905 was valid and assessments made thereunder were binding upon all members of the society. Notwithstanding such decision, and the fact that the assessments stated had not been paid, the trial court reached the conclusion that Mr. Evans, at the time of his death, was a member in good standing; that his contract of insurance was then in force; that the valid and legal rate of assessment for him from October 1, 1913, to March 23, 1915, was \$16.08 per month, which the plaintiff was directed to pay and she was awarded costs against the society. Judgment to this effect was entered upon the decision, from which an appeal was taken to the Appellate Division, where the same was affirmed, two of the justices dissenting, and defendants now appeal to this court.

I am of the opinion the judgment of the Appellate Division and of the Special Term should be reversed and the complaint dismissed. Mr. Evans, at the time of his death, was not a member of the society. The contract between him and the society was the constitution, by-laws, his application for membership and the benefit certificate issued thereon. (*Sabin v. Phinney*, 134 N. Y. 423, 428; *Shipman v. Protected Home Circle*, 174 N. Y. 398; *Brenizer v. Royal Arcanum*, 141 N. C. 409.) Under the by-laws he had, by his own act, in refusing to pay the legal assessments,

ceased to be a member and had terminated his relations with the society. The temporary injunction did not continue him a member. All that did, or pretended to do, was to enjoin the society "from suspending" him as a member "and from in any manner interfering with his rights and privileges" therein. The society did not suspend him, nor did it in any manner interfere with his rights and privileges. He suspended himself. One of the by-laws provided that: "Any member failing to pay any regular assessment before the time prescribed for such payment in the Laws of the Order, or to pay any extra assessment within the time limited or prescribed therefor in the notice thereof, shall stand suspended from the Order and all benefits therefrom." Non-payment of the monthly assessments *ipso facto* operated as a suspension. (*Anderson v. Supreme Council O. of C. F.*, 135 N. Y. 107.) No affirmative action on the part of the society was required. The by-laws were self-executing. (*Roehner v. Knickerbocker Life Ins. Co.*, 63 N. Y. 160; *Freckmann v. Supreme Council R. A.*, 96 Wis. 133; *Bost v. Supreme Council R. A.*, 87 Minn. 417; *Marshall v. Grand Lodge*, 133 Cal. 686; *Hunter v. National Union*, 197 Ill. 478.) The fact that this court in *Green v. Royal Arcanum* (*supra*) had erroneously decided that the assessments which he refused to pay were invalid was not a legal excuse for non-payment. This was conclusively settled and determined by the Supreme Court of the United States (*Royal Arcanum v. Green*, 237 U. S. 531) when it reversed the judgment of this court. When he refused to pay the assessments he took his chances that the decision of this court, on appeal, would be sustained. In October, 1913, when he tendered \$6.33 as his assessment for that month, he was obligated to pay \$16.08 and he should have paid that amount. A valid by-law so provided and he had agreed that his rights were to be determined by it. He, therefore, by his own voluntary act, severed his membership in the society when he violated his part of the agreement, which was "to make punctual payments of all dues and assessments for which I may become liable." For nearly a year and a half before his death he paid nothing to the benefit fund. He could not, during that time, be a member for the purpose of receiving benefits and not for the purpose of making payments imposed.

It is no answer to the suggestion to say that the court, by its decree directed his executrix to pay the assessments which he ought to have paid in his lifetime. A contract of this character, once destroyed, cannot be brought back to life in that way. It is beyond the power of a court of equity to so decree. Had Mr. Evans lived he would have been under no obligation to make the payments. The society could not have compelled him to make them. The injunction given imposed no such obligation. He did not even offer or agree to make such payments in case he were successful in the action.

I am also of the opinion that plaintiff, as his executrix, cannot maintain the action. She, as such, has no interest in its subject-matter. It is elementary that an executor can maintain an action only when the subject-matter thereof affects the estate of his testator. Her testator had no interests in the proceeds of the certificate issued to him and his estate had none. He was merely authorized to designate some one to receive the proceeds to be paid upon his death. He designated his wife and the certificate issued to him provided that the society would pay to her, and not to his estate. If, at the time of his death, he had been a member in good standing, she personally would have been entitled to receive whatever the society paid. (*Beeckel v. Order of United Friends*, 58 Hun, 7; *affd.*, 124 N. Y. 661; *Hellenberg v. Dist. No. One of I. O. of B. B.*, 94 N. Y. 580; *Bown v. Catholic Mut. Ben. Assn.*, 33 Hun, 263; *Holland v. Taylor*, 111 Ind. 121; *Stephenson v. Stephenson*, 64 Ia. 534; *Daniels v. Pratt*, 143 Mass. 216; *Kentucky Masonic Mut. L. Ins. Co. v. Miller*, 13 Bush. 489; *McClure v. Johnson*, 56 Ia. 620; *Maryland Mut. Ben. Soc. v. Clendinen*, 44 Md. 429.) Costs in an equity action are not a part of, or in any way connected with, the subject-matter of it. They are mere incidents of the litigation. (*Crosby v. Stephan*, 97 N. Y. 606; *Eastburn v. Kirk*, 2 Johns. Ch. 317.)

My conclusion, therefore, is that the judgments of the Appellate Division and Special Term should be reversed and the complaint dismissed, with costs in all courts.

CRANE, J. (dissenting). The opinion in this case makes the injunction order granted by the Supreme Court a useless formality and a nugatory process. I cannot agree that the injunction, which

concededly restrained the officers from expelling Griffith Evans from the Royal Arcanum for the alleged non-payment of dues, was useless and a vain and empty effort upon the part of the court to preserve his rights. The officers and the organization were restrained, but a by-law or contract of the member, it is said, was so passively effective as to nullify the injunction.

Griffith Evans was a member of Rome Council, No. 150, of the Royal Arcanum. He was sixty-five years of age and had paid dues for over twenty-five years. The organization had increased his dues from \$1.86 to \$3.44 and then to \$6.33 a month, and finally, when he became sixty-five years of age, to \$16.08 a month. This action had been held illegal by our court. (*Green v. Supreme Council of the R. A.*, 206 N. Y. 591.) He tendered in payment of his dues the amount which the courts had determined was all that could be demanded. The tender being refused, and threatened with expulsion, he resorted to the courts for determination of the controversy. The Supreme Court, upon his application, granted an injunction reading as follows:

“Ordered, that the above named defendants, their officers, agents, attorneys and employees, and any and all other persons be, and each, and all of them are hereby enjoined, restrained and prohibited from suspending the plaintiff as a member of the defendants, and from in any manner interfering with his rights and privileges in said Supreme Council of the Royal Arcanum, or in said Rome Council, No. 150, of the Royal Arcanum, until the further order of this court.”

A bond was given to accompany the injunction, agreeing to indemnify defendant for any loss or damage occasioned by reason thereof. The supplemental complaint, according to the agreed statement of facts, asked that the valid legal rate of assessment be determined. This court is now about to hold that this injunction did not prevent the expulsion of Griffith Evans; that the working of the by-laws of the association did that which the association was restrained from doing. The by-laws read: “Any member failing to pay any rate or assessment before the time prescribed for such payment in the laws of the order or to pay any extra assessment within the time limited or prescribed therefor in the notice thereof shall stand suspended from the order and all benefits therefrom.”

The prevailing opinion states that while the Supreme Court enjoined his expulsion and sought by means of injunction and bond to preserve the membership until the amount of the dues should be determined by the court, yet the effort was abortive as the member expelled himself under the by-laws for the non-payment of the dues demanded. To state such a proposition is to answer it. What was the object of resorting to the courts to determine the controversy between the member and the order if the court had no power to grant relief? We are about to decide that the very contract which the court was called upon to construe deprived the court of jurisdiction. Careful search fails to discover any case where equity is without power to maintain the membership in an organization like the Royal Arcanum until a controversy over that membership is settled. The following cases indicate that such power does exist. In *Meyer v. Knickerbocker Life Ins. Co.* (73 N. Y. 516) it was decided that a suit in equity would lie to determine the rights and obligations of the parties where the plaintiff had tendered his premium and the defendant has refused it, claiming the policy forfeited. In *Langan v. Supreme Council A. L. H.* (174 N. Y. 266, 271) an amended by-law of the defendant reduced the maximum death benefit to \$2,000. The plaintiff held a benefit certificate for \$5,000 and considered the by-law illegal. He tendered the assessment for the higher amount, and it being refused, brought action for breach of contract. It was held that there was no breach of contract which justified an action for damages, but that he "might resort to a court of equity and, upon the facts, ask its intervention in a decree which would compel the defendant to live up to its contract and which would restrain it from proceeding under its void by-law." The *Langdan* case has frequently been cited with approval as authority for the proposition that the courts of this state may interfere by injunction to preserve contract rights.

The undertaking furnished, as in this case, saves harmless the association from any damage accruing by reason of the injunction. It is said that the member does not agree to remain in the order provided the court determines that the higher amount is due. He remains a member as long as the injunction continues, and his

bond is liable for the dues ultimately determined as the amount payable under the by-laws. No other reasonable interpretation can be given to the proceedings. The spirit and the fair intent of the injunction order should govern. (*Stolts v. Tuska*, 82 App. Div. 81; *People ex re. Mayor, etc., N. Y. v. Pendleton*, 64 N. Y. 622, 624.) We have held as to contracts that the obligation to do a certain thing upon the part of one party may imply an obligation upon the part of the other. (*Wood v. Duff-Gordon*, 222 N. Y. 88.) When, in this case, the plaintiff asked that his membership be continued by an injunction, and furnished a bond to pay damages, he agreed in so doing to pay the dues up to the dissolution of the injunction. There would be no other damages to pay, and the giving of the bond would otherwise be frivolous. The supplemental complaint—a part of the agreed statement of facts—asks that Evans be declared a member in good standing at his death *and the amount of the assessments till then determined*.

Before Griffith Evans' action came to trial, he died, and his widow, as executrix, was substituted in his place and a supplemental complaint served in which she states that the estate is ready to pay the increased amount if the court should determine that such were the sum due, and further asks that the membership certificate be declared in force and effect. Objection is made, in the main opinion, to the continuance of the action by the executrix. It is said that the estate has no interest in the costs. This may be so, but the executrix has an interest in protecting the estate from liability upon the bond given on the injunction and also in having judicially determined the liability of Griffith Evans upon the membership certificate up to the time of his death. The validity of this point seems to be predicated upon the correctness of the opinion that the certificate of membership was canceled.

The fact that *Green v. Supreme Council of the R. A.* (206 N. Y. 591) was subsequently reversed by the United States Supreme Court (237 U. S. 531) can have no further effect than if our own Supreme Court had decided upon the trial of the Evans' action that the increase in rate was proper. The judgment which has been entered in this case by the lower courts follows the decision of the United States Supreme Court in determining that the rate of dues for Evans was \$16.08 per month, and

further holds that Griffith Evans was a member of the Royal Arcanum up to the time of his death, that his contract of insurance was then in full force and effect, and that the defendant recover from the plaintiff the full amount of the dues according to this increased rate. The death of Griffith Evans and the error of this court are but incidents in this litigation and in no way affect the jurisdiction and relief which a court of equity may afford.

HISCOCK, Ch. J., CUDDEBACK and ANDREWS, JJ., concur with McLAUGHLIN, J., and CARDOZO, J., concurs in result; CRANE, J., reads dissenting opinion; POUND, J., not voting.

Judgments reversed, etc.

ANDREW C. MCGOWIN, as Administrator of the Estate of FRANK B. TESSON, Deceased, Respondent, *v.* S. STANWOOD MENKEN, as Administrator of the Estate of ALICE E. TESSON, Deceased, Appellant.

Insurance (life)—insurance payable to wife of insured if living; if not, to his executors, administrators or assigns—death of insured and his wife in same disaster at sea—administrator of wife claiming proceeds of policies must prove survivorship of wife, otherwise proceeds of policies go to representatives of the insured.

Where life insurance policies were payable upon the death of the insured to his widow if living; if not, then to his executors, administrators or assigns, the survivorship of the wife was a condition precedent to her taking, and where the insured and his wife were both lost at sea at the same time the administrator of the wife is not entitled to the insurance in the absence of proof that she survived the insured. In case of the death of two or more persons in a common disaster, there is no presumption either of survivorship or simultaneous death. Hence, the burden of proving survivorship rests upon the administrator of the wife, since his claim is through her, and, being unable to make such proof, the proceeds of the policies go to the representatives of the insured, who take under the policies and not under a survivorship.

McGowin v. Menken, 177 App. Div. 841, affirmed.
(Argued May 16, 1918; decided May 28, 1918.)

APPEAL, by permission, from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered June 1, 1917, in favor of plaintiff upon the submission of a controversy under section 1279 of the Code of Civil Procedure.

The nature of the controversy, and the facts, so far as material, are stated in the opinion.

R. B. Knowles, C. Ames Brooks and William C. Armstrong for appellant.

James G. Dale and George L. Shearer for respondent.

McLAUGHLIN, J. Frank B. Tesson and his wife, Alice E., were lost at sea on the 7th of May, 1915, when the *Lusitania* was sunk. At the time of his death he held three policies of insurance upon his life, issued by the Equitable Life Assurance Society of the United States, each payable, upon his death, to his widow, if living; if not, then to his executors, administrators or assigns, with the right on his part to change the beneficiary if he so desired. The respective administrators of the estates of Mr. and Mrs. Tesson claimed the proceeds of these policies. The assurance society, desiring to be relieved from liability, paid the money into court and the administrators thereupon, upon an agreed statement of facts, submitted their respective claims to the Appellate Division, which held that Mr. Tesson's administrator was entitled to such fund. Judgment was rendered to this effect, from which Mrs. Tesson's administrator appeals to this court.

In case of the death of two or more persons in a common disaster, there is no presumption either of survivorship or simultaneous death. (*Newell v. Nichols*, 75 N. Y. 78; *St. John v. Andrews Institute*, 117 App. Div. 698; *affd.*, 191 N. Y. 254.) In the submission the parties agreed it cannot be proved which one survived the other. Under such circumstances, by the express terms of the policies, the proceeds belong to the husband's estate. Mrs. Tesson's right thereto depended upon her surviving her husband. The provision in each policy is that the society will pay, upon receiving proof of the death of Mr. Tesson, "Five Thousand Dollars * * * to his wife Alice E. Tesson, if living; if not, then to the assured's executors, administrators or assigns." Survivorship of the wife, therefore, was a condition precedent to her taking. Had her administrator brought an action against the society he would have had to prove, in order to recover, not only the issuance of the policies, but the death of Mr. Tesson prior to that of his wife. Failing in this, a recovery could not have been had. The

same result follows, so far as the claim of her estate is concerned, from the submission. The burden of proving survivorship rests upon her administrator, since his claim is through her. Not being able to make such proof, the proceeds go, as the parties obviously intended they should when the policies were issued, to the representatives of the insured, who take under the policies and not under a survivorship. (*Dunn v. New Amsterdam Casualty Co.*, 141 App. Div. 478; *Fuller v. Linzee*, 135 Mass. 468; *Hildenbrandt v. Ames*, 27 Tex. Civ. App. 377.)

In the Massachusetts case the insurance company promised to pay the sum insured to the wife or assigns within ninety days after due notice and proof of death of the husband and in case she should die first, then the amount of the insurance should be payable to their children. The husband, wife and all of the children were lost at sea and there was no direct evidence as to which survived the other. The court held that the interest of the wife, under the policy, was contingent upon her surviving her husband and that neither her assigns nor personal representatives could show any right to the insurance money, except upon proof of such survivorship.

In reaching the conclusion that the estate of Mrs. Tesson is not entitled to the proceeds of the policies, *U. S. Casualty Co. v. Kacer* (169 Mo. 301) has not escaped my attention. The decision in that case seems to have been put upon the ground that the beneficiary had a vested interest, subject to being divested by death prior to the insured, and for that reason the court held that the burden was upon the representatives of the insured to prove his survivorship. I have been unable to adopt the reasoning which led the court to that conclusion. There, the policy was payable to the beneficiary if living at the time of the death of the insured, who did not have the right to change the beneficiary. In this respect the case is distinguishable from the one now before us. Mrs. Tesson did not have a vested interest. All she had was an expectancy, subject to be defeated by the assured's designating another beneficiary, or failure on her part to survive him. (*Lane v. De Mets*, 59 Hun, 462.)

I am of the opinion that the judgment of the Appellate Division is right and should be affirmed, with costs.

HISCOCK, Ch. J., CUDDEBACK, CARDOZO, POUND, CRANE and ANDREWS, JJ., concur.

Judgment affirmed.

FIRST NATIONAL BANK OF BATH, Appellant *v.* HELEN R. STURGIS,
Respondent, Impleaded with Another.

First Nat. Bank of Bath v. Sturgis, 177 App. Div. 894, affirmed.
(Submitted May 14, 1918; decided May 28, 1918.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the second judicial department, entered February 8, 1917, modifying and affirming as modified a judgment in favor of defendant entered upon a dismissal of the complaint by the court on trial at Special Term. The action was instituted by the First National Bank of Bath, Maine, suing on behalf of itself and such other creditors as might intervene (Domestic Relations Law, section 52), and it is sought to reach for the benefit of the creditors of Thomas Sturgis, deceased, such life insurance moneys as may have been purchased by annual premiums in excess of \$500. Defendant contended that the plaintiff is a foreign corporation; that the insurance moneys accrued on policies issued by foreign insurance companies and that this foreign corporation never could have recovered any of this insurance money in Maine, where it resided, even if it had served Mrs. Sturgis there, nor in Connecticut or New Jersey, where it was alone payable, the statutes of such states being entirely different in character from the New York law; that under such circumstances there is no occasion for extending section 52 of the Domestic Relations Law so as to aid a non-resident plaintiff to recover money which did not arise in the state of New York, but accrued to the widow, and was due and payable by the terms of the insurance policies, only in Newark, N. J., and Hartford, Conn.

Roswell S. Nichols and *Fulton J. Redman* for appellant.

William H. Hamilton and *Norman C. Conklin* for respondent.

Judgment affirmed, with costs; no opinion.

Concur: HISCOCK, Ch. J., CUDDEBACK, CARDOZO, POUND, McLAUGHLIN, CRANE and ANDREWS, JJ.

MAUDE LEWIS, as Executrix of JOHN F. BAILEY, Deceased, Appellant, v. THE OCEAN ACCIDENT AND GUARANTEE CORPORATION, LIMITED, OF LONDON, ENGLAND, Respondent.

Insurance (accident)—evidence examined and held that jury might find death of insured was caused by infection from puncture in lip and if so it was effected by accidental means within meaning of policy.

Plaintiff's testator, who held a policy issued by defendant insuring him against "loss or disability, resulting directly, independently, and exclusively of all other causes, from bodily injuries effected solely through accidental means," died from inflammation of the brain produced from a germ which came from an infected pimple on his lip. *Held*, that there is evidence from which a jury might find that the pimple had been punctured by some instrument, and that the result of the puncture was an infection of the tissues; if so the death of plaintiff's intestate was effected by accidental means within the meaning of the policy.

Lewis v. Ocean Accident & Guarantee Corp., 180 App. Div. 935, reversed. (Submitted May 14, 1918; decided May 28, 1918.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered December 7, 1917, affirming a judgment in favor of defendant entered upon a dismissal of the complaint by the court at a Trial Term.

The nature of the action and the facts, so far as material, are stated in the opinion.

Harry R. Bradbury for appellant.

Frederick W. Catlin and *Robert H. Woody* for respondent.

CARDOZO, J. The plaintiff's testator, John F. Bailey, held a policy of insurance issued by the defendant. It covered "loss or disability, resulting directly, independently, and exclusively of all other causes, from bodily injuries effected solely through accidental means." The question is whether injuries resulting in death were effected by accidental means within the meaning of the policy. The trial judge dismissed the complaint. The Appellate Division, two justices dissenting, affirmed.

On July 6, 1915, the insured had a pimple on his lip. A friend who lunched with him says that it looked like an ordinary pimple at that time. A day or so later it was larger and more inflamed. On July 10 the insured consulted a physician. The physician's testimony is that there was then a punctured wound in the lip which had inflamed and infected the deep tissues. The lip was opened by the physician, and remedies were applied.

They were of no avail. The infection spread through the cheek toward the eye. A week later, July 17, the insured became paralyzed and blind. He died the next day. His death was due to inflammation of the brain produced by the germ known as the staphylococcus aureus. There is little doubt that the germ came from the infected pimple. If the infection was the result of accident, the defendant is liable.

We think there is testimony from which a jury might find that the pimple had been punctured by some instrument, and that the result of the puncture was an infection of the tissues. If that is what happened, there was an accident. We have held that infection resulting from the use of a hypodermic needle is caused by "accidental means" (*Bailey v. Interstate Casualty Co.*, 8 App. Div. 127; 158 N. Y. 723; *Marchi v. Aetna Life Ins. Co.*, 140 App. Div. 901; 205 N. Y. 606). The same thing must be true of infection caused by the puncture of a pimple. Unexpected consequences have resulted from an act which seemed trivial and innocent in the doing. Of itself, the scratch or the puncture was harmless. Unexpectedly it drove destructive germs beneath the skin, and thereby became lethal. To the scientist who traces the origin of disease, there may seem to be no accident in all this. "Probably it is true to say that in the strictest sense and dealing with the region of physical nature, there is no such thing as an accident" (HALSBURY L. C., in *Brintons v. Turvey*, L. R. 1905 A. C. 230, 233). But our point of view in fixing the meaning of this contract, must not be that of the scientist. It must be that of the average man (*Brintons v. Turvey*, *supra*; *Ismay, Imrie & Co. v. Williamson*, L. R. 1908 A. C. 437, 440). Such a man would say that the dire result, so tragically out of proportion to its trivial cause, was something unforeseen, unexpected, extraordinary, an unlooked-for mishap, and so an accident. This test — the one that is applied in the common speech of men — is also the test to be applied by courts (*U. S. Mutual Acc. Assn. v. Barry*, 131 U. S. 100; *Lewis v. Iowa State Trav. Men's Assn.*, 248 Fed. Rep. 602; *Western Comm. Trav. Assn. v. Smith*, 85 Fed. Rep. 401; *Brintons v. Turvey*, *supra*; *Ismay, Imrie & Co. v. Williamson*, *supra*; *Hood v. Maryland Casualty Co.*, 206 Mass. 223; *Aetna Life Ins. Co. v. Portland Gas & Coke Co.*, 229 Fed. Rep.

552; *Omberg v. U. S. Mut. Acc. Assn.*, 101 Ky. 303; *Hiers v. Hull & Co.*, 178 App. Div. 350, 352; *Bailey v. Interstate Casualty Co.*, *Supra.*)

The defendant argues that the puncture may not have caused the infection. But the plaintiff's experts say that in their opinion the entrance of the germs from the skin into the deeper tissues was the result of trauma. They say that trauma is almost invariably the cause of such infections. We find the signs of trauma here in the punctured wound which was visible when the physician was first consulted. The insured was an athlete in the prime of life and the fullness of health; the infection was not due, therefore, to lowered powers of resistance. The punctured wound is an adequate cause. The evidence suggests no other; at least, a jury might so find. Here, as elsewhere, the law contents itself with probabilities, and declines to wait for certainty before drawing its conclusions.

The judgment should be reversed, and a new trial granted, with costs to abide the event.

HISCOCK, Ch. J., CUDDEBACK, POUND, McLAUGHLIN and ANDREWS, JJ., concur; CRANE, J., dissents.

Judgment reversed, etc.

HENRY BIRD, Respondent *v.* ST. PAUL FIRE AND MARINE INSURANCE COMPANY, Appellant.

Insurance (fire)—proximate cause—when policy insuring canal boat against loss or damage by fire does not cover damages caused by concussion of the air resulting from an explosion of dynamite stored in cars some distance away.

1. In order that recovery may be had upon an insurance policy against fire, fire must reach the thing insured, or come within such proximity to it that damage, direct or indirect, is within the compass of reasonable probability.
2. A fire and marine insurance company insured a canal boat against loss or damage arising from "Sounds, Harbors, Bays, Rivers, Canals and Fires." While the vessel was lying in the harbor, a fire broke out beneath freight cars loaded with explosives. This fire was followed by an explosion, causing another fire which in turn caused a much greater explosion of dynamite and other explosives stored in the freight yard. This last explosion caused a concussion of the air which damaged the vessel, about one thousand feet distant. No fire reached the vessel, the damages being

solely from the concussion caused by the second explosion. *Held*, that the loss was not covered by the policy; that the fire was not the proximate cause of the damage within the meaning of the policy.

Bird v. St. Paul F. & M. Ins. Co., 180 App. Div. 470, reversed.

(Argued May 1, 1918; decided June 4, 1918.)

APPEAL, by permission, from a judgment of the Appellate Division of the Supreme Court in the second judicial department, entered December 7, 1917, in favor of plaintiff upon the submission of a controversy under section 1279 of the Code of Civil Procedure.

The nature of the controversy and the facts, so far as material, are stated in the opinion.

Pierre M. Brown for appellant.

Nelson Zabriskie for respondent.

CARDOZO, J. On September 12, 1915, the defendant, a fire and marine insurance company, issued to the plaintiff its policy of insurance covering the body, tackle, apparel and other furniture of the canal boat, the *Henry Bird, Jr.* "Touching the Adventures and perils which the said Company are content to bear and take upon themselves by this Policy, they are of the Sounds, Harbors, Bays, Rivers, Canals and Fires, that shall come to the damage of the said boat or any part thereof." There was no express exception of damage from explosion.

On the night of July 30, 1916, a fire broke out from some unknown cause beneath some freight cars in the Lehigh Valley Railroad Company's freight yards at Black Tom in the harbor of New York. The cars were loaded with explosives, and after the fire had burned at least thirty minutes, the contents of the cars exploded. This explosion caused another fire, which in turn caused another and much greater explosion of a large quantity of dynamite and other explosives stored in the freight yard. The last explosion caused a concussion of the air, which damaged plaintiff's vessel about one thousand feet distant to the extent of \$675. No fire reached the vessel, the damages being solely from the concussion caused by the second explosion. The question is whether the loss is covered by the policy. In a controversy submitted under section 1279 of the Code, these facts stand admitted. The Appellate Division gave judgment for the plaintiff.

There is no doubt that when fire spreads to an insured building and there causes an explosion, the insurer is liable for all the damage (*Wheeler v. Phenix Ins. Co.*, 203 N. Y. 283; *Lynn Gas & Electric Co. v. Meriden Ins. Co.*, 158 Mass. 570; *Scripture v. Mutual Fire Ins. Co.*, 10 Cush. 356; *Waters v. Merchants Louisville Ins. Co.*, 11 Peters 213, 225). We assume that, in the absence of some exception in the policy a like liability follows when an explosion caused by fire occurs in neighboring buildings (*Hustace v. Phenix Ins. Co.*, 175 N. Y. 292, 302, 303). But the question here is whether space is a factor in the solution of the problem. The Appellate Division says that it is not; no matter how great the distance, the insurer remains liable. Other courts have held otherwise. The question came before the English Court of Common Pleas in *Everett v. London Assurance Co.* (19 Common Bench N. S., 126). There gunpowder ignited and exploded. The plaintiff's building, half a mile away, was damaged by concussion. The court (ERLE, Ch. J., and WILLES and BYLES, JJ.) gave judgment for the defendant. "Speaking of this injury, no person would say that it was occasioned by fire. It was occasioned by a concussion or disturbance of the air caused by fire elsewhere." A like ruling was made in Louisiana by a divided court (*Caballero v. Home Mut. Ins. Co.*, 15 La. Ann. 217). In Tennessee, the ruling was the same: "Legal conclusions cannot always be safely reached by pressing the processes of logical illation to their ultimate results." (*Hall v. Nat. Fire Ins. Co.*, 115 Tenn. 513, 521).

The problem before us is not one of philosophy (Pollock Torts [10th ed.], p. 37). If it were, there might be no escape from the conclusion of the court below. General definitions of a proximate cause give little aid. Our guide is the reasonable expectation and purpose of the ordinary business man when making an ordinary business contract. It is his intention, expressed or fairly to be inferred, that counts. There are times when the law permits us to go far back in tracing events to causes. The inquiry for us is how far the parties to this contract *intended* us to go. The causes within their contemplation are the only causes that concern us. A recent case in the House of Lords gives the true method of approach (*Leyland Shipping Co. v. Norwich Fire Ins. Society*, 118 Law Times, 120, 125, decided January, 1918, not yet

officially reported). Lord SHAW refers in his opinion to the common figure of speech which represents a succession of causes as a chain. He reminds us that the figure, though convenient, is inadequate. "Causation is not a chain, but a net. At each point, influences, forces, events, precedent and simultaneous, meet and the radiation from each point extends infinitely" (*Leyland Shipping Co. v. Norwich Fire Ins. Society.*, *supra*). From this complex web, the law picks out now this cause and now that one. The same cause producing the same effect may be proximate or remote as the contract of the parties seems to place it in light or shadow. That cause is to be held predominant which they would think of as predominant. A common-sense appraisalment of everyday forms of speech and modes of thought must tell us when to stop. It is an act of "judgment as upon a matter of fact" (*Leyland Shipping Co. v. Norwich Fire Ins. Society.*, *supra*).

This view of the problem of causation shows how impossible it is to set aside as immaterial the element of proximity in space. The law solves these problems pragmatically. There is no use in arguing that distance ought not to count, if life and experience tell us that it does. The question is not what men ought to think of as a cause. The question is what they do think of as a cause. We must put ourselves in the place of the average owner whose boat or building is damaged by the concussion of a distant explosion, let us say a mile away. Some glassware in his pantry is thrown down and broken. It would probably never occur to him that within the meaning of his policy of insurance, he had suffered loss by fire. A philosopher or a lawyer might persuade him that he had, but he would not believe it until they told him. He would expect indemnity, of course, if fire reached the thing insured. He would expect indemnity, very likely, if the fire was near at hand, if his boat or his building was within the danger zone of ordinary experience, if damage of some sort, whether from ignition or from the indirect consequences of fire, might fairly be said to be within the range of normal apprehension. But a different case presents itself when the fire is at all times so remote that there is never exposure to its direct perils, and that exposure to its indirect perils comes only through the presence of extraordinary conditions, the release and intervention of tremendous forces of destruction (*Til-*

ton v. Hamilton Fire Ins. Co., 14 How. Pr. 363, 372, 373). A result which in other conditions might be deemed a mere incident to a fire and, therefore, covered by the policy, has ceased to be an incident, and has become the principal (*Briggs v. No. A. & M. Ins. Co.*, 53 N. Y. 446, 449). The distinction is no less real because it involves a difference of degree. In such a case, the damage is twice removed from the initial cause. It is damage by concussion; and concussion is not fire nor the immediate consequence of fire (*Benner v. Atl. D. Co.*, 134 N. Y. 156, 161, 162; *Booth v. R., W. & O. T. R. R. Co.*, 140 N. Y. 267, 280; *Holland House Co. v. Baird*, 169 N. Y. 136). But there is another stage of separation. It is damage by concussion traveling over a distance so remote that exposure to peril is not within the area of ordinary prevision, the range of probable expectation. The average man who speaks of loss by fire does not advert to the consequences of this play of catastrophic forces.

Precedents are not lacking for the recognition of the space element as a factor in causation. This is true even in the law of torts where there is a tendency to go farther back in the search for causes than there is in the law of contract (Smith, *Legal Cause in Actions of Tort*, 25 Harvard Law Review, pp. 126, 127, 326). Especially in the law of insurance, the rule is that "you are not to trouble yourself with distant causes" (WILLES, J., in *Ionides v. Univ. Marine Ins. Co.*, 14 C. B. N. S. 289; *Leyland Shipping Co. v. Norwich Fire Ins. Society*, 1917, 1 K. B. 873, 883, 893). "In an action on a policy, the *causa proxima* is alone considered in ascertaining the cause of loss; but in cases of other contracts and in questions of tort the *causa causans* is by no means disregarded" (*Fenton v. Thorley & Co.*, 1903 A. C. 443, 454; Smith, *supra*, p. 326). The rule "is based," it is said, "on the intention of the parties" (*Reischer v. Borwick*, 1894, 2 Q. B. 550). But even in tort, where responsibility is less dependent on intention, space may break the chain of causes. The wrongdoer who negligently sets fire to a building, is not liable without limit for the spread of the flames. In our own state, there is a fixed and somewhat arbitrary restriction (*Hoffman v. King*, 160 N. Y. 618). But even in jurisdictions where the liability is broader, its bounds are the reasonable and the probable. The wrongdoer may be charged with

those consequences and those only within the range of prudent foresight (*Milwaukee & St. Paul R. Co. v. Kellogg*, 94 U. S. 469, 474; *Webb v. R. W. & O. R. R. Co.*, 49 N. Y. 420). It is not enough that what happens is in the course of nature. It must be in the probable course of nature (Pollock Torts [10th ed.], pp. 32, 41; *A. T. & St. F. R. Co. v. Calhoun*, 213 U. S. 1, 7; *Stone v. B. & A. R. R. Co.*, 171 Mass 536). Others would have us say that reasonable probability of injury is important, not so much in measuring the extent of liability for wrong, as in determining whether there has been a wrong (Bohlen, Test of Liability for Negligence, 40 Am. Law Reg [N. S.] 80, 84, 86; Smith, *supra*, pp. 126, 127). *Quoad* the owner of distant buildings there may be no negligence in acts which involve a breach of duty to one's neighbor. We need not go into these refinements. For our present purposes, it is enough that alike in contract and in tort, contiguity or remoteness in space may determine either the existence or the measure of liability. In doubtful situations a jury must say where the line is to be drawn (*Milwaukee & St. P. R. Co. v. Kellogg*, *supra*; *Ehrgott v. Mayor, etc., of N. Y.*, 96 N. Y. 264, 280, 281).

The case comes therefore, to this: Fire must reach the thing insured, or come within such proximity to it that damage, direct or indirect, is within the compass of reasonable probability. Then only is it the proximate cause because then only may we suppose that it was within the contemplation of the contract. In last analysis, therefore, it is something in the minds of men, in the will of the contracting parties, and not merely in the physical bond of union between events, which solves, at least for the jurist, this problem of causation. In all this, there is nothing anomalous. Everything in nature is cause and effect by turns. For the physicist, one thing is the cause; for the jurist, another. Even for the jurist, the same cause is alternately proximate and remote as the parties choose to view it. A policy provides that the insurer shall not be liable for damage caused by the explosion of a boiler. The explosion causes a fire. If it were not for the exception in the policy, the fire would be the proximate cause of the loss and the explosion the remote one. By force of the contract, the explosion becomes proximate (*St. John v. Am. Mut. F. & M. Ins. Co.*, 11

N. Y. 516; *Ins. Co. v. Tweed*, 7 Wall. 44). A collision occurs at sea, and fire supervenes. The fire may be the proximate cause and the collision the remote one for the purpose of an action on the policy. The collision remains proximate for the purpose of suit against the colliding vessel (*N. Y. & B. D. Ex. Co. v. Traders' & M. Ins. Co.*, 132 Mass. 377, 382). There is nothing absolute in the legal estimate of causation. Proximity and remoteness are relative and changing concepts.

It may be said that these are vague tests, but so are most distinctions of degree. On the one hand, you have distances so great that as a matter of law the cause becomes remote; on the other, spaces so short that as a matter of law the cause is proximate. The boat moored to the pier is damaged by fire when dynamite about to be loaded from the pier is ignited by a falling match. Fire destroys the city building when the wall of an adjoining building, weakened by the flames, collapses (*Ermentrout v. Girard F. & M. Ins. Co.*, 63 Minn. 305; *Russell v. German Fire Ins. Co.*, 100 Minn. 528). Between these extremes, there is a borderland where juries must solve the doubt.

In this case, the facts are not disputed. The inferences to be drawn from them are not doubtful. The damage was not a loss by fire within the meaning of the policy.

The judgment should be reversed, and judgment ordered for the defendant, with costs in the Appellate Division and in this court.

HISCOCK, Ch. J., COLLIN, CUDDEBACK, POUND, CRANE and Andrews, JJ., concur.

Judgment reversed, etc.

ATTORNEY-GENERAL'S
OPINIONS

ATTORNEY-GENERAL'S OPINIONS

STATE OF NEW YORK
OFFICE OF THE ATTORNEY-GENERAL
ALBANY

December 11, 1917.

HON. JESSE S. PHILLIPS,

Superintendent of Insurance, Albany, N. Y.

DEAR SIR.—After examination of the Articles of Association and the Declaration of the Equitable Underwriters of New York submitted to you with their application to conduct a Lloyds insurance business, this office is obliged to advise that the instruments referred to have not been properly executed and ought not to be accepted.

The corporation of "R. A. Corroon & T. A. Duffey, Inc." seeks to be one of the underwriters without in our opinion having legal authority to act as such. Underwriters acting as Lloyds are engaged in the insurance business. The writing of a Lloyds policy is the individual action of each of the members through their attorney in fact, and the liability is that of the individuals or members composing the association and is not the liability of the association as an entity.

Under our statutes no corporation other than a corporation organized pursuant to the Insurance Law can engage in the business of insurance (Business Corporations Law, § 2; Insurance Law, §§ 52, 54 etc.), and the recital of an insurance power in the certificate of a corporation organized under the Business Corporations Law would be ineffective to confer that power upon the corporation. Therefore we must construe the statement of powers contained in the certificate of incorporation of the R. A. Corroon & T. A. Duffey corporation as if there were no intent to include in such certificate any unauthorized power. The certificate readily lends itself to an interpretation in compliance with the

law. Among the many paragraphs of the certificate appears the following, which is the portion essential to our discussion: The corporation has power

" * * * to act as agents and [or brokers and] or attorneys-in-fact and [or agency managers and] or underwriters for any person, firm, corporation or association engaged in the business of marine, fire, life, accident, casualty and fidelity insurance, or any other kind of insurance; to act as agents and [or brokers and] or underwriters and [or attorneys-in-fact and] or agency managers for any person, firm, corporation or association, as subscribers at Lloyds, or as members of inter-insurance organizations, and to obtain insurance protection of any kind for principals and employers, and any other kind or class of insurance in any or all its branches * * *."

Testing this with the principle that only legal powers may be inserted in a certificate of incorporation, we conclude that the corporation is authorized to act (and it was intended by its organizers that it should act) only as agent, broker, etc., for a subscriber at Lloyds and not as a subscriber itself at Lloyds.

Secondly the Articles of Association and the Declaration have been signed by various persons through their attorney-in-fact. This also is not in conformity with legal requirements. In an analagous situation, the Attorney-General has decided that a certificate of incorporation cannot be signed and executed by an attorney-in-fact (Opinions 1914, p. 181).

Nor does the circumstance that twenty-five at least of the members of the Equitable Underwriters of New York have personally signed and sworn to the Declaration remedy the cause, for section 304 of the Insurance Law provides that the Declaration "must be signed and sworn to by *all* of the persons, and the proper officers of the corporation so proposing to engage in the business of insurance pursuant to this section." The right to do an insurance business is a privilege conferred by the State, and we feel certain that the legislature intended that all of the persons seeking to embark upon that business should make personal appeal for the privilege and should assume the liabilities attendant the privilege by executing personally the instruments under which the liabilities are assumed.

In fortifying this conclusion, attention is called to the provision in section 304 providing that any underwriters who join a Lloyds after it has once been authorized to do business "shall be held to

be bound by the documents on file with the Superintendent of Insurance concerning such Lloyds or inter-insurance association in the same manner as though they had *personally signed the same* " thereby connoting that the original underwriters must *personally* sign the Declaration and Articles of Association.

Yours very truly,

MERTON E. LEWIS,

Attorney-General

By C. T. Dawes, Deputy

STATE OF NEW YORK

OFFICE OF THE ATTORNEY-GENERAL

ALBANY

January 7, 1918.

HON. JESSE S. PHILLIPS,

Superintendent of Insurance, Albany, N. Y.

DEAR SIR.—Your communication of December 31, 1917, addressed to this department presents five or more questions arising upon an application for permission to do an insurance business in the State of New York of the "Eastern Company for the Storage, Insurance and Transport of Goods, with Advance Loans," a Russian corporation. The application papers contain many irregularities which in my opinion prevent your acting upon them.

The instrument required by section 29 of the Insurance Law (in which the foreign corporation agrees "that it will not, while authorized to do business in this State, transact any business therein which a similar domestic insurance corporation is prohibited from transacting") is signed and acknowledged by an attorney-in-fact and not by the corporation, and does not bear the corporate seal. The paper designating the Superintendent of Insurance as attorney to receive process is likewise signed and acknowledged by the attorney-in-fact, the agent, and not by the corporation, the principal. Authority to execute these documents is claimed by the attorney-in-fact under a general power of attorney in writing issued by the corporation and supplemented by a

cablegram from Russia which purports to authorize the attorney to perform on behalf of the corporation all acts necessary for admission of the company to do business in this State and, specifically, to execute for the corporation the agreement required by section 29 and the designation of the Superintendent of Insurance as attorney to receive process provided for by section 30. It is proposed to strike off a seal of the corporation in New York City which the attorney in-fact will attach to the above referred to documents.

We do not feel obliged to decide whether the cablegram is sufficient to clothe the attorney-in-fact with power to execute the papers, for we have concluded that the Insurance Law of this state does not permit the execution of the documents required by §§ 29 and 30 by any agent of the corporation. The instruments must be executed by the corporation itself through its business officers who attest the resolution of its governing board and affix the corporate seal.

In a recent letter to your department I expressed the view that an underwriter in a Lloyds association could not sign the declaration through his attorney-in-fact, and that any certificate of incorporation of a domestic insurance company must be signed personally by the incorporators. I based that decision on the reasoning that the legislature intended that matters of such moment as the gift of powers to a corporation should be attended with formality; that those who sought a privilege from the state should personally appeal for it, and that the obligations assumed should be brought home to the incorporators through their execution personally of the documents required. It would be difficult to conclude that the legislature deemed permissible an act of incorporation through use of powers of attorney, as a result of which disputes between the State and the incorporators might easily arise with respect to the extent of the delegated power to the agent attorney.

If I am correct in my view that incorporators of a domestic corporation must execute personally the certificate of incorporation and other papers which assume obligations in return for the privilege of doing a corporate business, it follows that a foreign corporation cannot act through an agent when seeking authority to do an insurance business in this state, for no advant-

age over our own citizens or corporations can be deemed to have been offered foreign corporations.

In the case of *Lafflin v. The Travelers' Insurance Company*, 121 N. Y. 713, the Court of Appeals assumes without extended discussion that the designation of the Superintendent of Insurance as attorney to receive process must be formally executed by the corporation by signature of its presiding officers and use of its corporate seal after resolution of the board of directors authorizing them to so execute the instrument. The court says per curiam:

"The appointment was made in pursuance of a resolution of the board of directors of the defendant, *and is full and formal in all respects* * * *. The formal power of attorney authorized by the resolution purports to be signed by the president and secretary of the company, and the seal of the company is affixed thereto, and its execution purports to have been acknowledged and proved by the president and secretary before a notary public whose certificate is attested by his seal, and thus we think the appointment was sufficiently certified and authenticated to authorize its filing by the superintendent. There is nothing in the act which requires that it should be authenticated in any particular manner, or so authenticated that it could be read in evidence upon the trial of an action in this state. The company could not transact business here until the appointment was made, certified, authenticated and filed in the office of the superintendent and when an *appointment* was presented to him *formal in all respects*, attested and authenticated by the corporate seal and notarial certificate, and he was satisfied and filed it, the purpose of the statute was fully accomplished."

Furthermore the phrasing itself of sections 29 and 30 compels a conclusion that the corporation, principal, and not the attorney, agent, must execute the agreement and designation. These sections in careful detail provide that no foreign insurance company shall transact any business of insurance in this State until "*it*" has filed a certified copy of its charter, until "*it*" has executed and filed a written appointment of the Superintendent as attorney to receive process, and filed an agreement "*under its corporate seal*" that "*it*" will not transact any business with a similar domestic insurance corporation is prohibited from transacting. The requirement that the agreement must be made under the corporate seal indicates to me that the instrument must be the original act of the principal itself attested by the corporate seal, and execution by any of its officers under a general delegated power or by an attorney-in-fact under a general or a special agency will not be recognized. A corporate seal attached by an attorney-in-fact fails to prove the act to be the act of the corporation, since the binding

force of a corporate act performed by an attorney-in fact depends upon a reading of the power granted the attorney and not by his use of the corporate seal. To repeat, the corporate seal attached by the attorney adds nothing of evidentiary value in proving the instrument to be that of the corporation. Therefore I infer that the Legislature by commanding the use of the corporate seal, commanded that the instrument be evidenced as the act of the corporation through use of that corporate seal, which means that the instrument must be executed as an *original* act of the corporation attested by its corporate seal.

Adverting to the copy of the charter filed, I would advise you that adequate certification thereof has not been made. The copy certified by the notary public does not contain the later modifications of the powers which are quite vital on his application. At the present moment I am unaware and cannot ascertain whether there is any state office in Russia in which corporations file their charters. If there is the head of that office should certify the charter. In any event the public custodian of the charter, whoever he may be, should certify the same.

Your final question relates to the charter powers of the company. Under modifications made to the original charter it appears that the company has among its powers and objects

"§ 1. * * * (d) the insurance of goods transported, i. e., of loads, goods, ships and other transport means against any accidents on their way, and at the places of their stay or keeping; * * *."

"§ 36. The Company is entitled for a stipulated price to ensure transports, i. e., loads, goods, ships and other transport means against any accident on their way and at the places of their stay or keeping."

"§ 37. The Company is entitled to reinsure to other insurance companies part of the goods transported and insured by the Company itself, i. e., loads, goods, ships and other transport means."

These powers are not stated in language as explicit as New York State would require of a domestic marine insurance company. Our statutes however do not expect that foreign corporations applying for admission to do business in New York State will have the same powers and the same limitations upon power that domestic corporations must have. It is sufficient that the foreign corporation has power by its charter to do the particular business it seeks to do here irrespective of what other powers its charter may contain.

The meaning of the Russian word translated as "accident" seems to be of very broad scope and may be translated, as appears from the certificate of the official interpreter to the Russian Consulate in New York city, as "ill-fortune, misfortune, bad luck, unhappiness, reverse, adverse, casualty, eventuality, accident, chance, occurrence, ill-occurrence, ill-circumstance, unforeseen case, mishap, mischance, unforeseen events." The official translator for the Russian Consulate further certifies that the Russian word used would "express the object of marine and other perils in the transporation of goods, ships, railroad cars and other means of transporation." His interpretation is confirmed by the fact that the corporation has for several years conducted under this power in its charter and without challenge a marine insurance business in Russia and other countries, and such is in fact the second largest branch of its business.

Nothing in the charter prevents the conduct of a marine insurance business outside of Russia, *i. e.*, in the United States.

I conclude that the corporation has the necessary charter power to carry on a marine insurance business in New York State, if admitted, but that its application papers, defective as hereinabove shown, must be executed by the corporation itself in Russia.

Yours very truly,

MERTON E. LEWIS,
Attorney-General

By G. T. DAWES, *Deputy*

STATE OF NEW YORK

OFFICE OF THE ATTORNEY-GENERAL

ALBANY, *February 9, 1918.*

Hon. JESSE S. PHILLIPS, *Superintendent of Insurance, Albany, N. Y.*

DEAR SIR.—Insurance on the lives of persons under sixteen years of age is prohibited in this State to fraternal benefit societies. In many states legislation has approved the plan of "Whole Family Protection" under which fraternal benefit societies insure

the lives of children between the ages of two and eighteen years for whose support and maintenance a member of such society is responsible. In accordance with your advice to certain of these societies you have submitted to me the question whether such societies are permitted under our law to write insurance *in any form* in this State if such societies are exercising without the State the power to write "Whole Family Insurance," or as you have stated the inquiry, "Please advise me if a foreign fraternal society applying for admission in this State is entitled to a certificate of authority from the Superintendent of Insurance authorizing it to transact business in this State, where it writes in territory outside the State of New York infantile insurance in the manner set forth in the so-called 'Whole Family Protection Bill,' such society in all other respects meeting the requirements of our statute, or if a foreign society now authorized to do business in this State is entitled to have its certificate of authority renewed under the conditions above mentioned."

I understand that you have firmly taken the position that the laws of this State do not authorize you to issue or renew any certificate to do business here if a fraternal benefit society is writing infantile insurance in other states. In your determination I fully concur, and briefly for these reasons.

A fraternal benefit society which writes "Whole Family Protection" is *not* a fraternal benefit society as defined by the statutes of New York State. It no longer possesses the powers and characteristics which mark out and limit the activities of such a society as recognized by our laws. Under section 230 of the Insurance Law a fraternal benefit society is one which is "organized and carried on *solely* for the mutual benefit of its members and their beneficiaries" and making provision for payment of benefits in accordance with section 231. We fail to find in section 231 any mention of infantile insurance. On the contrary that section confines all benefits to *members*, who must be over *sixteen* years of age. General or social members may be admitted but insurance cannot be extended to them.

In answer to a possible assertion that infantile insurance is virtually for the benefit of members because they are responsible for the support of the children under sixteen who are insured, it

is enough to say that if such a power were inherent in fraternal benefit societies under the present laws of this State, there would be no need of an amendment such as is now sought by legislation to incorporate a power to write "Whole Family Protection." "Whole Family Protection" is not a mere internal optional change in the constitution or by-laws of a society. It is a fundamental change in the nature of the society, the same as if a fraternal benefit society were given a new power to write fire insurance on the buildings owned by its members or marine or automobile insurance on their property.

A fraternal benefit society organized in New York may have only the powers "defined by this article" (section 234, Insurance Law). The charter of such a society "shall not include more liberal powers than are granted by this article" (section 234-b); and infantile insurance finds no place in the list of powers recited in the statute. Likewise, a foreign society must have the "qualifications required of domestic societies organized under this article" (section 237). To such a foreign society the Superintendent may issue a license and a "duly certified copy or duplicate of such license shall be prima facie evidence that the licensee is a fraternal benefit society *within the meaning of this article*" (section 237).

With regard to foreign corporations in general, we may state it as a principle of comity that unless there has been a design to evade our laws, corporations organized in other states where broader powers can be acquired than in our own State, are not looked upon with disfavor here, and may be permitted to do business in this State by confining themselves to the business permitted domestic corporations in this State. This is not so with respect to insurance corporations. The business of insurance has been specialized in fact and by law and certain forms thereof have been limited to certain specific classes of insurance corporations. Retaliatory legislation throughout the United States has been exercised to such an extent that insurance companies quite generally have been forced to confine themselves to a line of insurance which can be written in every state. New York has decided to let in foreign fraternal benefit societies which do business along the lines long established for such companies, and to keep out companies offering innovations in the fraternal field.

I conclude that a fraternal benefit society having a power to write "Whole Family Insurance" is not a fraternal benefit society as defined by the laws of New York State and a license cannot be issued to it or renewed.

It therefore matters not that the funds of the infantile insurance branch of any foreign society are segregated and are not to be diverted to the adult insurance claims. If a society is not a fraternal benefit society as we classify them in this State, it cannot receive a license regardless of the safeguards under which it writes infantile insurance in other states.

Yours very truly,

MERTON E. LEWIS,
Attorney-General

STATE OF NEW YORK
OFFICE OF THE ATTORNEY-GENERAL
ALBANY

SURETY COMPANIES — TITLE COMPANIES — FIELD OF BUSINESS
WITH RESPECT TO GUARANTEEING LOANS SECURED BY MORT-
GAGE — INSURANCE LAW, SECTIONS 70 AND 170.

In agreeing to indemnify a Federal Land Bank from loss by reason of defective title to premises upon which such bank holds a mortgage, surety companies are not exercising the surety company power to guarantee the performance of contracts, but are guaranteeing or insuring the title to the premises.

Surety companies cannot guarantee the repayment of loans secured by bond and mortgage. Where the hazard is that of title only, the Legislature has conferred the business upon title insurance companies exclusively.

Statement

Several surety companies, as appears from a communication of the Superintendent of Insurance dated February 20, 1918, intend to issue a bond to Federal Land Banks in connection with loans made by such banks to farmers upon the security of bond and

mortgage. In order to facilitate these loans by obviating delays due to a complete investigation of the title of the mortgaged premises, an abstract covering twenty-one years last past is to be accepted by the banks after approval by the bank's abstractors and a bond given by the borrower with approved sureties conditioned as follows:

"Now therefore, in consideration of a premium of _____ Dollars, the Surety Company does hereby guarantee to said bank the repayment of any part of said loan that may, in consequence of any defect in the title of the mortgagor to the mortgaged property, be uncollectible from the mortgagor, his heirs or assigns."

Inquiry

You ask whether the proposed transactions will invade the field of business held by title companies under our statutes, or more precisely, whether such transactions are or are not title company business *exclusively* under the provisions of our Insurance Law.

Opinion

Under our New York statutes a surety company may be formed for the purpose, among other powers, of "guaranteeing the performance of contracts" (section 70, Insurance Law) and it is this power which the surety companies claim they are exercising when writing the above bond. From a careful analysis of the bond, I am at loss to see how it guarantees the performance of a contract. The contract of the farmer is to repay the loan. The proposed surety company bond does not guarantee in any respect the contract of the borrower to repay the loan. The bond in substance simply indemnifies or insures the bank against loss by reason of a defect of title in the mortgaged premises. It is an engagement that the title to the premises mortgaged is good and if not the company will pay any loss resulting from defect of title, which as I shall hereinafter point out is a policy of title insurance under section 170 of the Insurance Law. Such a bond as the company proposes to write acknowledges and recites the existence of a primary obligation upon the part of the borrower to repay the loan but does not guarantee the *performance of that obligation* by the borrower.

The business of a title insurance company is thus defined in section 170 of the Insurance Law:

“§ 170. **Incorporation.** Five or more persons may form a corporation for one of the following purposes:

1. To examine titles to real property and chattels real, to procure and furnish information in relation thereto, make and guarantee the correctness of searches for all instruments, liens or charges affecting the same, *guarantee or insure the payment of bonds and mortgages, or notes of individuals or partnerships secured by mortgages upon real property situated in this or any other state*, and bonds, notes, debentures and other evidences of indebtedness of solvent corporations secured by deed of trust or mortgage upon real property situated in this or any other state, invest in, purchase and sell, with such guarantee or with guarantee only against loss by reason of defective title or incumbrances, bonds and mortgages, and notes of individuals or partnerships secured by mortgages upon improved and unincumbered real property situated in this or any other state worth fifty per centum more than the amount loaned thereon, and bonds, notes, debentures and other evidences of indebtedness of solvent corporations secured by deed of trust or mortgages upon improved and unincumbered real property situated in this state or outside of this state worth fifty per centum more than the amount loaned thereon, *and guarantee and insure the owners of real property and chattels real and others interested therein against the loss by reason of defective titles thereto and other incumbrances thereon*, which shall be known as a title guaranty corporation; * * *.”

The net result effected through the proposed policy to be issued by the surety company to the Land Bank is the same as if the surety company had under the power last above recited issued a policy of *title insurance* directly to the bank as a party “interested” in real property as mortgagee.

The agreement of the surety company is not a guarantee of the payment of the mortgage by the borrower for there are no provisions therein contained that the principal or interest of the mortgage will be paid at all. Rather, as I have before stated, it is a guarantee that the title under the mortgage is good and the agreement might just as well, so far as its efficacy is concerned, have been entered into between the bank and the surety company without the participation of the mortgagor. The hazard is that of title only.

In opposition to these conclusions the surety companies cite the following illustrations of business already done by them:

(1) A man borrows money with which to purchase an automobile and agrees to pay the loan in installments and gives his

notes for the deferred payments, these notes being secured by a chattel mortgage upon the automobile. The borrower is required to give a bond conditioned to pay the unpaid installments of the loan in case (a) He fraudulently absconds with the automobile; or (b) There is a serious injury to, or destruction of the automobile and its abandonment by him.

This, it is alleged, is a contract of suretyship and is not automobile insurance even though one of the contingencies under which liability can accrue is the destruction of the automobile and its abandonment.

(2) A man who is about to let to another a factory in which there is a boiler demands of the lessee a bond with surety conditioned to pay such part of the rent as may be uncollectible in consequence of the destruction of the premises by an explosion of the boiler.

Such a transaction, the surety company asserts, is not boiler insurance. In each of the above instances, the company argues the bond guarantees to a limited extent the performance of an obligation to pay a sum of money, though in both cases the only contingency under which liability can accrue is a hazard insurable only by other classes of insurance companies.

The difference which I perceive between the cases offered as illustrative by the surety companies, and the presently proposed bond to the land banks, is that in the illustrations furnished there is an indemnity agreement against failure of the borrower or the lessee to pay. They are guarantees that a person will do something. On the other hand the agreement with the land bank does not guarantee that the farmer will do anything. Regardless of whether or not the title is good or bad, there is no engagement by the surety company that the farmer will pay the loan or the mortgage. If the title is not good the stipulation is that the surety company as an abstract proposition will make good the loss on the collateral arising from defect of title. It is immaterial to the surety company who the borrower is. If the borrower happens to pay there is of course no loss to the bank, but that does not alter the nature of the agreement which in my opinion is a contract of insurance against loss through defect of title. In the case of the automobile, the substance is that should the collateral be

destroyed, the borrower will nevertheless pay. The agreement with the land bank is that should the collateral be destroyed, it will be made good again.

It is further suggested that the functions of a title company are, broadly speaking, as follows:

1. To examine titles to real property and to insure the owners of real property and others interested therein against loss by reason of any defect in the titles so examined; and

2. To invest in, purchase and sell bonds and mortgages, with guarantee of payment or guarantee only against loss by reason of defective title to the mortgaged property.

“The surety companies,” it is said, “have no desire to interfere in any way with these very proper and appropriate functions of title guaranty companies nor to exercise those functions themselves. The surety companies have no desire to go into the business of examining and guaranteeing titles to real property, nor to invest any of their money in mortgage loans and offer those mortgages for sale as guaranteed mortgages. But the surety companies insist that, under their express power to guarantee the performance of contracts, they have the right to guarantee the payment of loans, whether those loans be secured by mortgage or not, *so long as they do not examine titles and do not invest their money in mortgage loans and offer such mortgages for sale accompanied by their guarantees.*”

The argument of the surety companies then continues: “We think that these ordinary, normal and natural functions of a title guaranty company, involving the examination of titles, and the investment of money in mortgage loans and selling those mortgages with their guarantee, may be considered the exclusive functions of title guaranty companies. It may be that title guaranty companies also have the right to guarantee loans secured by mortgage, where the title is not examined by them or in their behalf and where they have not previously invested their own funds in the mortgage; but if they have this right, this is also the normal and natural function of a surety company and we insist that it is a right which surety companies also have and can exercise and that the *exclusive* privilege of title guaranty companies stops with the guarantee of loans based on their own examination of the title

or an examination made in their behalf and where their own funds are invested in the mortgage to be guaranteed."

The argument would be availing were the title companies *required by law to first examine* the titles under the mortgages which they guarantee or the premises which they insure. There is, however, nothing in the law requiring them to examine titles before insuring the same or guaranteeing mortgages thereon. The Legislature in conferring upon title companies the power to guarantee the payment of mortgages must have assumed that they would examine the title, and the theory of the legislation must have been to confer the power to take a title risk, which includes the guaranteeing of mortgages, upon companies who would make a business of examining titles, not upon surety companies which cannot under the law conduct the business of examining, certifying or insuring titles.

There can be no doubt that the only risk that the surety companies are taking in their agreement with the land bank is that of title. The risks are recited in the schedule policy as follows and are all title hazards:

The surety company agrees to protect the bank against:

(a) Any defect of any kind in the title of the mortgagor to the mortgaged property;

(b) Any conveyance or lease of coal, oil gas, mineral or other surface or subsurface right, right of way, or other right or privilege, affecting the mortgaged property;

(c) Any defect in said title, whether shown or disclosed by the official records or not, as well as errors or omission in said official records;

(d) Any errors, omission or mis-statement of fact in the original abstract of title, or any information subsequently furnished or supplied by an approved abstractor, which subsequent information shall be deemed a part of said abstract of title, when attached thereto;

(e) Any mistake, misjudgment or misconstruction of law, as well as any mistake or error of any kind on the part of any member of the legal department of said Bank.

I cannot but conclude that the agreement with the land bank is the guaranteeing or insuring of a title and not the guarantee of the payment of a loan.

In what I have so far said I have assumed a right in the surety company to guarantee the payment of a loan in whole or in part if the risk assumed was not that of defect of title. In other words, I have assumed that the surety company could guarantee

the repayment of the loan irrespective of the fact that the loan was secured by a mortgage provided only that the guarantee did not attempt to guard specifically against a defect of title. However, there is a strong indication that the guarantee of the payment of any note or bond secured by a mortgage is business confined exclusively to a title guaranty company. Section 170 in this connection reads: A title guaranty company may be formed to "guarantee or insure the payment of bonds and mortgages or notes of individuals or partnerships secured by mortgages upon real property situated in this or any other State," and to "guarantee and insure the owners of real property and chattels real and others interested therein against the loss by reason of defective titles thereto and other incumbrances thereon." Under these powers a title company may guarantee absolutely the payment of a bond secured by a mortgage on real property or may guarantee the mortgagee against loss by reason of defective title only. That is, a title company is vested with power essentially that of a surety in so far as the title company guarantees absolutely the repayment of a loan secured by a bond and mortgage, and exercises a power functionally that of a title company in guaranteeing the mortgagee against loss by reason of defect of title. The whole field, therefore, including what might naturally be considered the business of a surety company to guarantee absolutely the repayment of the loan and also the business naturally that of a title company to guarantee the mortgagee against loss from defect of title, has been turned over by statute to the title companies.

I am of the opinion that the surety company may not undertake the proposed business. Where the hazard is that of title the Legislature has conferred the insurance company business upon title companies to the exclusion of all other insurance companies.

Dated, March 25, 1918.

MERTON E. LEWIS,

Attorney-General

TO HON. JESSE S. PHILLIPS,

Superintendent of Insurance,

Albany, N. Y.

STATE OF NEW YORK

OFFICE OF THE ATTORNEY-GENERAL

ALBANY, May 4, 1918

HON. JESSE S. PHILLIPS, *Superintendent of Insurance, Albany, N. Y.*

Dear Sir.—Your communication of the first of May advises me of a request made that you officially oppose the signing of Assembly Bill 1710, an act authorizing the creation of domestic corporations to take over the assets and business in this State of German insurance companies. It is urged by those who object to the bill that if enacted it will impair the obligation of the policyholder's contract, and thus will be unconstitutional, and that it will also impair or weaken the security at present afforded the policyholders of these German companies.

Under the proposed legislation the new domestic corporation is to receive all the assets of the foreign insurance company in the possession or control of the trustees resident in this country, also any assets in the hands of the United States manager or attorney, and all property in the hands of the alien enemy custodian. Securities on deposit with the Superintendent of Insurance are to be registered in the name of the new domestic corporation and held in trust as previously for the benefit of policies theretofore issued by the German company.

It is contended that policyholders of the German company did not contract or agree to have associated with them as policyholders and secured by the funds held in trust in this country, any persons other than those holding policies issued by the German company, and accordingly their contract is impaired by the introduction of a new set of policies, to be issued by the domestic corporation, which will share in the protection of the same trust funds.

I do not find the argument at all convincing. Capital funds of such foreign insurance corporations on deposit with the Superintendent of Insurance or in the hands of the United States trustees are so held for the benefit of policyholders of the company by virtue of State law enacted in the wisdom and discretion of the State Legislature. These funds and the protection they afford are not the subject matter of contract between the company

and its policyholders for the very clear reason that the funds are put and held in trust *by compulsion of law* and not as the result of any *agreement* by the company with its policyholders. True, the fact that such trust funds exist may induce the taking out of policies, but policyholders are charged with a knowledge of the law and of the power of the Legislature which created these trust funds to dispense with them at any time should it so desire. It follows that neither the company nor the policyholders have a right to stipulate the class of policyholders who shall come within the protection of the fund.

Moreover, a policyholder does not choose or possess a right to choose his associate policyholders any more than any creditor of a corporation chooses who the other creditors shall be. The policyholder chooses his company, with knowledge that such a company, if a domestic corporation, is subject to the reserved power of the Legislature over that corporation and if a foreign company that such foreign company is subject to the power of the Legislature to regulate its business done in this State. So long as the company does not exceed its powers and so long as the obligations found in his contract are lived up to the policyholder cannot complain. What safeguards are or are not needed in the conduct of the company's business is a matter of State concern and for the exercise of State police power.

All this proposed statute amounts to is (1) the substitution of a new trustee for the funds, and (2) the transfer of the contract obligation to a corporation of the same general character. The trust remains unaltered and the policyholders' contract continues intact. Trustees are frequently changed by legislative enactment (*Williamson v. Suydam*, 73 U. S. 623, 738; *Matter of Bergdorf*, 206 N. Y. 309, 316) and mergers and consolidations of corporations under which the liabilities of the expiring company are transferred to and imposed upon the resulting corporation are proceedings long favored with the sanction of the law. The new statute accomplishes exactly what is accomplished by a merger or consolidation of corporations. The resulting or new corporation takes over all the business of the old corporation and is saddled with all of its liabilities, the new corporation continuing the business, accepting new policyholders and giving them

equal rights with the old policyholders (Insurance Law, § 129; Railroad Law, §§ 140-143; Banking Law, § 494, etc.).

Nor can I possibly see how the security of the policyholders of the German company will be impaired. The securities in the hands of the Superintendent of Insurance are left with that official and stand as security for the policyholders *only* of the old German company. The assets received from the resident trustees and managers of the German company and from the Alien Property Custodian are placed in the hands of a domestic corporation over which the Superintendent of Insurance, the Attorney-General and the Legislature have more direct control and supervision than over the resident trustees.

Assuming it is not the policy of the Federal government to confiscate German property, the rehabilitation of the business of these foreign corporations under a plan which places control in American directors, cannot be legislation unpatriotic in principle especially so when, as I understand it, the business which these companies can furnish is at present very much needed in this country.

Yours very truly,

MERTON E. LEWIS,

Attorney-General

By C. T. Dawes, Deputy

Rulings of the Superintendent of Insurance

AND

Extracts from Opinions of Attorney-General

RELATING TO

Life Insurance Laws (1906) As Amended

For the year 1918, "Rulings of the Superintendent of Insurance and Extracts from Opinions of the Attorney-General relating to Life Insurance Laws" will not be published. Copies in pamphlet form, as printed in 1916, are still available.

ABSTRACTS
OF
REPORTS ON OFFICIAL EXAMINATION

[171]

THE following abstracts of reports on examination are arranged alphabetically in groups, to wit:

Stock and Mutual Fire,
Marine,
Lloyds and Inter-Insurers,
Co-operative Fire,
Stock and Mutual Life,
Casualty, Fidelity, Surety and Title,
Mutual Compensation,
Assessment Life and Accident,
Fraternal Beneficiary Orders or Societies,
Miscellaneous Special Reports.

(See "Contents," pages 7-9.)

Stock and Mutual Fire Insurance Companies

FIDELITY-PHENIX FIRE INSURANCE COMPANY
OF NEW YORK
NEW YORK CITY

Examined to ascertain condition, June 30, 1917.

Report dated October 15, 1917.

Examiner: Isaac Fuld.

Income and Disbursements

Ledger assets December 31, 1916.....\$19,284,230 42

Income

Gross premiums (fire).....	\$6,168,061 47
Less return premiums.....	\$825,976 96
Less reinsurance premiums.....	922,810 34
	1,748,787 30
	\$4,419,274 17

Gross premiums marine and automobile	\$307,396 59
Less return premiums	\$57,473 14
Less reinsurance premiums	58,369 86
	115,843 00

191,553 59

Total net premiums.....	\$4,610,827 76
Interest	453,337 89
Rents	8,261 98
Syndicate profits	3,804 59
Federal income tax withheld.....	588 24
Profit on sale of bonds and stocks.....	3,934 00
Increase in book value of bonds and stocks....	65,220 00

Total income..... 5,145,974 46

Total.....\$24,430,204 88

Disbursements

Losses	\$2,336,932 00
Commissions	974,227 65
Agency expenses	908 45
Salaries and expenses of special agents.....	117,374 80
Salaries of officers and employees.....	256,043 79
Rent	30,070 31

Advertising	26,107 77
Printing and stationery	42,024 25
Postage, etc.	28,535 84
Legal expenses	4,528 29
Furniture and fixtures	4,006 41
Maps	8,829 75
Underwriter boards and tariff associations	58,741 68
Fire patrol assessments and fees	15,141 14
Inspection and surveys	8,707 10
Traveling expenses	7,767 77
Taxes and expenses on real estate	5,376 55
Directors' fees	2,940 00
Exchange	3,441 25
Miscellaneous expense	5,231 29
Investment expense	445 51
Insurance premiums	798 85
Subscription to papers	1,294 69
Taxes on premiums	117,688 49
Insurance Department's licenses and fees	29,905 51
Municipal taxes	7,713 68
Federal taxes	30,057 57
Canadian war tax	407 69
Dividends	250,000 00
Loss on sale of bonds and stocks	38,574 00
Decrease in book value of bonds and stocks	956,609 00

Total disbursements \$5,370,431 08

Balance \$19,059,773 80

Ledger Assets

Real estate	\$535,000 00
Mortgage loans on real estate, first liens	15,500 00
Collateral loans	500,000 00
Book value of bonds and stocks	14,341,127 00
Cash in office	2,319 46
Cash in bank	1,611,430 65
Agents' balances representing business written subsequent to March 31, 1917	\$1,301,764 98
Less unpaid reinsurance premiums	5,074 46
	1,296,690 52
Agents' balances representing business written prior to April 1, 1917	13,197 70
Bills receivable taken for premiums on farm risks	716,474 58
Reinsurance recoverable on paid losses	28,033 89

Total ledger assets \$19,059,773 80

Non-Ledger Assets

Interest accrued:

On mortgage loans	\$258 34	
On collateral loans	337 50	
On bonds	62,339 56	
On bank deposits.....	352 05	
		63,287 45

Rent accrued		2,208 06
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Market value of bonds and stocks over book value.....		44,475 00
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Total gross assets	\$19,169,744 31	
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Deduct Assets Not Admitted

Agents' balances representing business written

prior to April 1, 1917.....	\$13,197 70	
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Bills receivable past due	99,148 88	
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Excess of bills receivable over unearned charged

thereon	77,485 56	
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Unauthorized investments	67,450 00	
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Excess of market value of special deposits over

corresponding liability	90,223 89	
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		347,506 03

Total admitted assets	\$18,822,238 28	
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Liabilities

Unpaid losses and claims, less reinsurance.....	\$716,267 56	
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Unearned premiums:

On one year risks.....	\$2,215,271 01	
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On term risks	6,974,656 68	
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On automobile risks	144,103 30	
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On ocean marine risks.....	29,386 11	
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		9,363,417 10

Taxes accrued (estimated)	90,000 00	
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Sundry unpaid bills	47,143 87	
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Contingent commissions	19,528 19	
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Income tax withheld	588 24	
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Dividends declared	250,000 00	
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Claim of Wm. J. Logan.....	145,000 00	
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Total liabilities except capital.....	\$10,631,944 96	
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Capital	\$2,500,000 00	
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Surplus	5,690,293 32	
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Surplus to policyholders.....	8,190,293 32	
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Total liabilities	\$18,822,238 28	
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UNAUTHORIZED INVESTMENTS

On February 13, 1917, the company acquired through Kuhn, Loeb & Co. of this city, the following French municipal bonds:

Description	Par Value	Cost Price	Market Value
City of Bordeaux, 6s, 1919.....	\$23,000 00	\$22,195 00	\$21,850 00
City of Lyons, 6s, 1919.....	24,000 00	23,160 00	22,800 00
City of Marseilles, 6s, 1919.....	24,000 00	23,160 00	22,800 00
Totals	<u>\$71,000 00</u>	<u>\$68,515 00</u>	<u>\$67,450 00</u>

Section 16 of the Insurance Law permits a domestic insurance corporation to invest its funds in the securities of any foreign country, if the corporation transacts business in such foreign country. As the company does not transact business in the Republic of France, the above-mentioned investment is not in conformity with statutory requirements. Section 118 of the Insurance Law prohibits the allowance as an asset of any investment not held as prescribed by law, therefore, the total market value of these bonds aggregating \$67,450 was deducted as an asset not admitted.

SYNDICATE PROFITS

On December 18, 1916, the company through membership in a syndicate was allotted 1,000 American shares of stock of the Royal Dutch Company by Kuhn, Loeb & Company of New York City, as syndicate manager for the purpose of underwriting 222,000 American shares of stock of the above-named corporation. On January 9, 1917, the company received \$3,000 from the syndicate manager as its pro rata share of the profits realized.

On March 29, 1917, the company under similar conditions was allotted \$50,000 par value general mortgage 4½ per cent gold bonds due 1965 of the Pennsylvania Railroad Company by Kuhn, Loeb & Company, as syndicate manager for the purpose of underwriting an issue of \$60,000,000 of such bonds. On April 30, 1917, the company received \$804.59 as its pro rata share of the profits.

In neither instance was the company called upon for any monetary contribution to the syndicate manager, and no stock or bonds were ever received by the company.

CLAIM OF WM. J. LOGAN

In the report on examination of this company under date of January 10, 1913, there appeared as a liability the sum of \$198,798.92, representing the amount of a judgment obtained in favor of Wm. J. Logan, the details of which are set forth in said report. This judgment was subsequently reversed on an appeal to the Appellate Division of the Supreme Court, which ordered the complaint dismissed. Mr. Logan appealed from that order to the Court of Appeals, which tribunal in April, 1917, affirmed the judgment of the Appellate Division, and rendered a final decision in favor of the company.

On April 25, 1917, Mr. Logan commenced a new action for the recovery of such part of \$145,000 as was used for the payment of \$10,000, which plaintiff claims the Phenix Insurance Company of Brooklyn, N. Y., owed Fisk & Robinson, and to purchase \$200,000 par value New York city bonds for the sum of \$180,000 or thereabouts. In his complaint Mr. Logan alleges that practically all of the \$145,000 obtained by pledge of his stock was used for these purposes.

Inasmuch as Mr. Logan has instituted an action for the recovery of approximately \$145,000, this amount has been charged as a liability, pending the adjudication of the claim by the courts.

GENERAL REMARKS

The Fidelity-Phenix Fire Insurance Company of New York is authorized and transacts business in every State of the United States, as well as in Canada and Cuba, with a net annual premium income of about \$9,250,000. Its business is conducted through three separate departments in addition to the home office in New York city, the locations thereof being as follows:

Western Department, Chicago, Ill.

Pacific Coast Department, San Francisco, Cal.

Canadian Department, Montreal, Canada.

These departments are under the management of Vice-President C. R. Street, Secretary A. A. Maloney and Manager E. D. Baldwin, respectively.

In April, 1917, the company began, under the management of O. G. Orr & Company of this city, to issue policies of insurance covering ocean marine risks.

With the exception of insurance against loss or damage by hail, snow and frost, the company writes all classes of business provided for in its charter.

The following is a list of the officers, board of directors and members of various committees:

Directors

Paul Baerwald	Edw. Mullinekrodt	John J. Riker
E. C. Converse	Eugene Meyer, Jr.	Edward R. Stettinius
Henry Evans	Dudley Olcott, 2d	Henry R. Taylor
J. Amory Haskell	Edgar Palmer	Samuel A. Walsh
Francis L. Hine	Henry K. Pomroy	Albert H. Wiggin

Officers

President.....	Henry Evans
Vice-President.....	Geo. E. Kline
Second Vice-President.....	C. R. Street
Second Vice-President and Secretary.....	J. E. Lopez
Second Vice-President and Counsel.....	David Rumsey
Secretary.....	James A. Swinnerton
Secretary.....	F. R. Millard
Secretary.....	Ernest Sturm
Secretary.....	John M. Thomas
Secretary.....	A. A. Maloney
Assistant Secretary.....	S. R. Kennedy
Assistant Secretary.....	N. T. Robertson
Assistant Secretary.....	A. P. Lange
Auditor.....	Edward Randall

Executive Committee

Paul Baerwald, Henry K. Pomroy, Francis L. Hine, E. C. Converse, Albert H. Wiggin.

Accounts Committee

John J. Riker, Samuel A. Walsh, Dudley Olcott, 2d.

Asset Committee

H. K. Pomroy, Edward R. Stettinius, E. C. Converse, Samuel A. Walsh, Dudley Olcott, 2d.

One member of the asset committee retires each month and a new member is appointed.

FIRST BULGARIAN INSURANCE COMPANY—UNITED
STATES BRANCH
ROUSTCHOUK, BULGARIA

Examined to ascertain condition, September 30, 1917.

Report dated December 13, 1917.

Examiner: Isaac Fuld.

Ledger assets December 31, 1916..... \$2,081,972 09

Income

Gross premiums \$2,043,238 31
Less return premiums..... 1,063,773 47

Net premiums \$979,464 84
Interest 65,741 94
Profit on sale of bonds..... 2,560 89

Total income 1,047,767 67

Total \$3,129,739 76

Disbursements

Losses \$1,269,420 38
Commissions 270,051 27
Salaries 44,300 08
Miscellaneous expenses 7,897 37
State and federal 2,606 05
Insurance Department fees 1,238 91

Total disbursements 1,595,514 06

Balance \$1,534,225 70

Ledger Assets

Book value of bonds..... \$1,340,595 65
Cash in bank 51,192 03
Cash in bank, trustee account..... 118,000 00
Due from other companies representing business written subsequent to June 30, 1917... \$60,336 76
Less due other companies..... 45,664 02

14,672 74

Due from other companies representing business written prior to July 1, 1917..... 9,765 28

Total ledger assets \$1,534,225 70

Non-Ledger Assets

Interest accrued on bonds.....	12,424 94
Total gross assets	<u>\$1,546,650 64</u>

Deduct Assets Not Admitted

Book value of bonds over market value.....	\$43,316 65
Cash in bank disallowed.....	45,448 17
Due from other companies representing business written prior to July 1, 1917.....	9,765 28
	<u>98,529 10</u>
Total admitted assets	<u><u>\$1,448,121 54</u></u>

Liabilities

Unpaid losses	\$311,270 13
Unearned premiums:	
On one year risks	\$535,493 69
On term risks	333,980 68
	<u>869,474 37</u>
Taxes accrued (estimated).....	1,000 00
Unpaid management expenses	2,450 74
Trustee fee accrued	375 00
	<u></u>
Total liabilities except deposit capital.....	\$1,184,570 24
Deposit capital	\$200,000 00
Surplus	63,551 30
	<u></u>
Surplus to policyholders.....	263,551 30
	<u></u>
Total liabilities	<u><u>\$1,448,121 54</u></u>

*Capital Statement**Assets*

Market value of bonds.....	\$1,297,280 00
Cash in bank, trustee account.....	118,000 00

Total gross assets in the United States deposited with insurance departments and trustee.....	<u><u>\$1,415,280 00</u></u>
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Liabilities

Unpaid losses	\$311,270 13
Unearned premiums	869,474 37
Due other companies	45,664 02
Taxes accrued	1,000 00

Unpaid management expense	2,450 74
Trustee fee accrued	375 00
Total liabilities in the United States.....	\$1,230,234 26
Capital under section 27 of the Insurance Law.....	185,045 74
Total (being the gross assets reported above).....	\$1,415,280 00

The foregoing capital statement shows the United States branch of the company to be in possession of a capital under the provisions of section 27 of the Insurance Law of \$185,045.74, which is \$14,954.26 less than the minimum required under the statute. In compiling said statement actual quotations as of September 30, 1917, were used for the purpose of establishing the market value of the bonds owned. If the five period quotations, contemplated for annual statement purposes, had been used, the value of the bonds would have been extended at an increase of some \$45,000 and would have produced a capital of approximately \$230,000.

Cash in Bank Disallowed

The asset item "Cash in Bank" includes a balance to the credit of the United States branch of the company of \$49,720.78, deposited with Ladenburg, Thalman & Company of New York. A certificate covering these funds furnished by the above-mentioned banking institution shows that the balance of \$49,720.78 is subject to a lien and claim for \$45,448.17 advanced to the company per agreement with its home office at Roustchouk, Bulgaria. For the reason set forth above, the amount of \$45,448.17 has been deducted as an asset not admitted in the foregoing financial statement.

STATUTORY DEPOSITS

Included in the attached Exhibit "A" are the following bonds, deposited by the company in the following States for the benefit and protection of its policyholders in the United States.

State	Description	Par Value	Market Value
Connecticut.....	City of New York, N. Y., 4½s, 1960.....	\$200,000	\$196,000
New York.....	State of New York, 4s, 1961.....	200,000	202,000
Ohio.....	City of Cleveland, O., 4s, 1924.....	40,000	39,600
Ohio.....	City of Cleveland, O., 4s, 1926.....	60,000	58,800
Totals.....		\$500,000	\$496,400

REMITTANCES TO AND FROM HOME OFFICE

The following schedule shows all remittances to and from the home office of the company from January 1, 1912, to September 30, 1917.

<i>Year</i>	<i>Remitted to Home Office</i>	<i>Received from Home Office</i>
1912	\$169,393 75	\$742,919 25
1913	11,000 00	168,523 14
1914	15,500 00	188,000 00
1915 .....	.....	57,850 26
1916 .....	.....	91,210 94
1917 to September 30.....	.....	.....
	\$195,893 75	\$1,248,503 59

GENERAL REMARKS

The "Bulgaria" First Bulgarian Insurance Company of Roustchouk, Bulgaria, was organized in 1891 under the laws of the Kingdom of Bulgaria. The company entered the United States through the State of Connecticut in January, 1912, and was in May, 1912, authorized to transact business in this State. It is also authorized to transact business in the States of Arkansas, Colorado, Illinois, Indiana, Iowa, Louisiana, Massachusetts, Michigan, Mississippi, Montana, Nevada, New Hampshire, New Jersey, North Carolina, Ohio, Pennsylvania, Texas and West Virginia.

While the company is admitted to transact business in the above-named States only, risks are accepted on property located in every State and Territory of the United States and its possessions as well as in Canada, Cuba and Mexico.

The United States branch of the company confines itself to the transaction of a reinsurance fire business.

Messrs. Snow & Thieme are the United States managers of the company, and the Fidelity Trust Company of Hartford, Conn., is the United States trustee.

GENERAL FIRE ASSURANCE COMPANY — UNITED STATES BRANCH

PARIS, FRANCE

*Examined to verify capital assets.**Report dated March 28, 1918.**Examiner: W. H. Derrick.*

The capital assets of the company on December 31, 1917, consisted of securities deposited with the insurance departments of the States of New York, Ohio and Virginia and securities vested in and held by the Central Trust Company of New York, the United States trustee.

Capital Assets

Securities deposited with Insurance Departments of:

	<i>Par Value</i>	<i>Market Value</i>
New York	\$211,000	\$206,780
Ohio	105,000	100,920
Virginia	11,000	11,330
	\$327,000	\$319,030

Securities vested in and held by the United

States trustee	725,000	659,380
	\$1,052,000	\$978,410

In extending market values the quotations adopted at the Insurance Commissioners' Convention were used.

The verification of securities deposited with the insurance departments was by means of certificates from the said departments and the securities held by the United States trustee were examined and counted on March 19, 1918.

EXHIBIT "A"

Capital Assets of the General Fire Assurance Company

*Deposited with the Insurance Department
of New York:*

	<i>Par Value</i>	<i>Market Value</i>
New York City 4s, 1959.....	\$31,000	\$30,380
New York City 4s, 1959.....	170,000	166,600
New York City 4s, 1957.....	10,000	9,800

*Deposited with the Insurance Department,
Ohio:*

Cincinnati, O., 3½s, 1925.....	74,000	71,780
Cincinnati, O., 3½s, 1936.....	31,000	29,140

*Deposited with the Insurance Department,
Virginia:*

Richmond, Va., 4½s, 1949.....	11,000	11,330
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	<u>\$327,000</u>	<u>\$319,030</u>
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Held by United States Trustee:

United States 2nd Liberty Loan 4s, 1942....	\$50,000	\$50,000
Anglo-French 5-yr. external loan 5s, 1920....	50,000	46,500
City of Paris municipal exterior loan 6s, 1921	50,000	46,500
City of Bordeaux 3-yr. exterior loan 6s, 1919..	50,000	47,000
City of Lyons 3-yr. municipal exterior loan 6s, 1919	50,000	48,000
City of Marseilles 3-yr. municipal exterior loan 6s, 1919	25,000	23,250
Baltimore & Ohio R. R. prior lien 3½s, 1925..	98,000	90,160
Baltimore & Ohio R. R. prior lien 3½s, 1925..	10,000	9,200
Central New England Ry. 1st mtg. 4s, 1961..	5,000	3,800
Central New England Ry. 1st mtg. 4s, 1961..	20,000	15,200
Chicago, Burlington & Quincy R. R., Ill. div., 3½s, 1949	56,000	46,480
Chicago, Milwaukee & St. Paul Ry. 4½s, 1932	25,000	22,750
Illinois Central R. R. ref. mtg. 4s, 1955.....	25,000	21,750
Lake Shore & Michigan Southern Ry. 4s, 1928	25,000	23,250
Milwaukee, Sparta & North Western Ry. 1s mtg. 4s, 1947.....	25,000	22,250
Southern Pacific R. R. 1st ref. 4s, 1955.....	110,000	97,900
Union Pacific R. R. 1st lien & rfd. mtg. 4s, 2008	51,000	45,390

	<u>\$1,052,000</u>	<u>\$978,410</u>
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THE GLOBE AND RUTGERS FIRE INSURANCE COMPANY

NEW YORK CITY

Examined to ascertain condition December 31, 1917.

Report dated April 9, 1918.

Examiner: Isaac Fuld.

Ledger assets December 31, 1916.....\$13,752,067 81

Income

Gross premiums (fire).....\$16,172,290 88

Less reinsurance premiums.... \$3,911,577 41

Less return premiums..... 2,873,644 46

6,785,221 87

Net premiums (fire)..... 9,387,069 01

Gross premiums (marine and inland).....\$11,050,656 96

Less reinsurance premiums.... \$453,803 08

Less return premiums..... 1,226,319 52

1,680,122 60

Net premiums (marine and inland)..... 9,370,534 36

Interest:

On mortgage loans..... \$5,936 72

On bonds and stocks..... 712,119 88

On bank deposits..... 14,527 62

732,584 22

Mercantile National Bank in liquidation..... 337 50

Rents 6,371 36

Borrowed money (gross)..... 5,400,438 90

Profit on sale or maturity of bonds..... 1,648 50

Total income\$24,898,983 85

Total \$38,651,041 66

Disbursements

Net amount paid for losses..... \$7,540,184 75

Expenses of adjustment of losses..... 69,362 71

Commissions 2,667,232 53

Expenses of special agents..... 7,838 56

Salaries and fees of officers, directors and employees 292,705 11

Rents 17,797 72

Advertising 4,482 33

Printing and stationery..... 21,235 94

Postage, telegrams, telephone and express.... 15,396 52

Legal expenses 9,653 08

Furniture and fixtures..... 5,428 41

Maps 6,160 57

Underwriters' boards and tariff associations.. 55,562 20

Fire department, fire patrol and salvage corps assessments and fees..... 20,108 55

Inspections and surveys..... 28,137 73

Repairs and expenses on real estate..... 555 03

Taxes on real estate..... 1,563 91

State taxes on premiums..... 79,190 87

Insurance department licenses and fees.....	8,982 48
Federal corporation tax.....	46,484 74
Capital stock tax	3,365 32
Franchise taxes	14,052 59
U. S. Government premium war tax.....	2,985 24
Exchange	5,099 93
Premiums on agents' and employees' bonds....	2,136 27
Subscription to papers	707 51
Dividends, ...	251,992 00
Borrowed money repaid (gross).....	5,310,438 90
Interest on borrowed money.....	36,113 76
Adjustment in book value of stock.....	23,000 00
Total disbursements	16,547,955 26
Balance	\$22,103,086 40

Ledger Assets

Book value of real estate.....	\$78,975 00
Mortgage loans on real estate, first liens.....	280,900 00
Book value of bonds and stocks.....	17,117,918 38
Cash in office	9,455 77
Cash in bank not on interest.....	45,000 00
Cash in bank on interest.....	1,021,036 63
Agents' balances, representing business written subsequent to September 30, 1917.....	3,343,326 07
Agents' balances, representing business written prior to October 1, 1917	206,474 55
Total ledger assets	\$22,103,086 40

Non-Ledger Assets

Interest accrued:	
On mortgage loans.....	\$7,808 10
On bonds	130,144 32
	137,952 42
Reinsurance recoverable on paid losses.....	75,561 27
Gross assets	\$22,316,600 09

Deduct Assets Not Admitted

Agents' balances, representing business written prior to October 1, 1917.....	\$206,474 55
Book value of bonds and stocks over market value	103,391 08
Unauthorized investment	38,104 70
	347,970 33
Total admitted assets.....	\$21,968,629 76

Liabilities

Unpaid losses and claims, less reinsurance.....	\$2, 852, 721 27
Unearned premiums:	
One year fire risks.....	\$4,483, 177 78
Term fire risks.....	2, 368, 815 02
Inland marine risks.....	135, 235 94
Ocean marine risks (time).....	430, 411 98
Ocean marine risks (cargo).....	758, 496 05
	8, 176, 136 77
Unpaid bills	5, 000 00
Taxes accrued (estimated).....	610, 000 00
Contingent commissions accrued (estimated).....	118, 000 00
Funds held under reinsurance treaty.....	60, 609 99
Borrowed money	760, 000 00
Reserve for depreciation of securities.....	1, 500, 000 00
Total liabilities except capital.....	\$14, 082, 468 03
Capital	\$700, 000 00
Surplus	7, 186, 161 73
Surplus to policyholders.....	7, 866, 161 73
Total liabilities	\$21, 968, 629 76

The foregoing financial statement shows a surplus to the company above its capital of \$7,186,161.73, which is \$239,952.53 less than the amount reported by the company in its annual statement filed with the Department for the year ending December 31, 1917.

In compiling said statement, the figures obtained by an examination of the company's books and records at its head office in New York were combined with those set forth in a sworn statement furnished by the manager of the Canadian department.

UNAUTHORIZED INVESTMENT

Included in the securities owned by the company are £9,000 par value Imperial Japanese 4 $\frac{1}{4}$ per cent bonds due 1925, the market value thereof being \$38,104.70.

Section 16 of the Insurance Law permits a domestic insurance corporation to invest its funds in the securities of any foreign country, provided the corporation transacts business therein. As the company is not authorized to transact business in Japan, the above-mentioned investment is not in conformity with statutory requirements. Section 118 of the Insurance Law prohibits the

allowance of an asset of any investment not held as prescribed by law, and therefore the sum of \$38,104.70, representing the market value of these bonds, has been deducted as an asset not admitted.

UNEARNED PREMIUMS

While the premiums are classified by the company according to monthly expirations, the unearned premium liability on fire risks was reported on the basis of the fractions set forth in the annual statement blank. In this examination such liability was computed upon a pro rata basis, resulting in an increase of \$372,768.70.

The unearned premiums on marine business, both term and trip risks, were carried by the company at 100 per cent of the premiums in force. For the purpose of this report, the unearned premiums on term risks were calculated at 50 per cent and on unterminated trip or cargo risks 100 per cent was charged. The amount of unearned premiums on marine risks so established is \$496,413.60 less than the sum reported by the company. Owing to such changes, the total unearned premium liability is reduced from \$8,299,781.67 to \$8,176,136.77, a net decrease of \$123,644.90.

FUNDS HELD UNDER REINSURANCE TREATY

The amount of \$60,609.99 charged as a liability on this account represents the amount due for reinsurance premiums to the First Bohemian Reinsurance Bank of Prague, Bohemia, a foreign insurance corporation not authorized to transact business in this State. The details of the contract under which the above-mentioned sum has been retained is fully set forth in the report on examination of the Globe and Rutgers Fire Insurance Company, dated September 4, 1913. In October, 1917, on the enactment of the Trading With the Enemy Law, the company discontinued ceding reinsurance to said foreign corporation.

BORROWED MONEY

This liability was created solely in connection with the acquisition of bonds and stocks through the brokerage firm of Stout & Company of 25 Broad street, New York city. On December 31, 1916, the company was indebted to said firm for borrowed money.

\$670,000, which sum was during the year 1917 increased as follows: The amount borrowed, representing approximately the total purchases, was \$5,400,438.90; the repayments aggregated \$5,310,438.90, which left an excess of \$90,000, thereby increasing the liability on December 31, 1917, to \$760,000.

As collateral security for this loan, the company hypothecated with Stout & Company the following securities:

- \$71,000 City of New York, 4½%, 1963.
- 150,000 City of New York, 3½%, 1954.
- 188,500 U. S. Government, 3½%, 1947.
- 50,000 United Kingdom of Great Britain & Ireland, 5½%, 1921.
- 60,000 Chicago, M. & St. Paul Ry. Co., 5%, 2014.
- 1,200 shs. Louisville & Nashville R. R. Co.
- 1,100 shs. Great Northern Ry. Co. Preferred.
- 600 shs. Chicago, M. & St. Paul R. R. Preferred.
- 2,800 shs. Consolidated Gas Co. of New York.

Other Securities Held by Stout & Company:

In addition to the above, the following securities were on December 31, 1917, temporarily held by Stout & Company for the purpose of transfer or registration:

- \$1,500 U. S. Government 3½%, 1947.
- 390,000 U. S. Government 4%, 1942; second installment paid.
- 175,000 St. Louis & San Francisco Ry. Co., 4%, 1950.
- 100 shares Remington Typewriter Co., 1st preferred.
- 100 shares Remington Typewriter Co., 2nd preferred.

The following securities were on the same date held by the said firm for safekeeping for account of the company:

- \$960,000 United Kingdom of Great Britain & Ireland, 5½%, 1921.
- 300 shares Consolidated Gas Co., of New York.
- 1,300 shares Peoples Gas, Light & Coke Co., of Chicago, Ill.

All of the securities listed above are included in the sworn statement previously referred to in this report.

ANNUAL STATEMENT

The following is a list in detail of the differences between the company's annual statement and the financial statement set forth in the foregoing part of this report:

Increase in Assets:

Interest accrued	\$6,322 57
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Decrease in Assets:

Market value of bonds and stocks.....	\$21,815 30
Unauthorized investment	38,104 70
	59,920 00

Net decrease in assets.....	\$53,597 43
-----------------------------	-------------

Increase in liability:

Taxes accrued	\$310,000 00
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Decrease in liabilities:

Unearned premiums	123,644 90
-------------------------	------------

Net increase in liabilities.....	186,355 10
----------------------------------	------------

Decrease in surplus	\$239,952 53
---------------------------	--------------

Surplus reported by the company.....	7,426,114 26
--------------------------------------	--------------

Surplus as shown in this report.....	<u>\$7,186,161 73</u>
--------------------------------------	-----------------------

UNDERWRITING AND INVESTMENT EXHIBIT

The company in the underwriting and investment exhibit appearing in its annual statement shows the following gains and losses:

Gain from underwriting	\$2,254,495 15
Loss from investments	\$826,579 44
Loss from miscellaneous accounts.....	251,992 00
	1,078,571 44

Increase in surplus	<u>\$1,175,923 71</u>
---------------------------	-----------------------

An exhibit compiled in accordance with the figures set forth in the foregoing financial statement would have shown the following:

Gain from underwriting	\$2,128,750 04
Loss from investments	\$888,442 98
Loss from miscellaneous accounts.....	300,425 99
	1,188,868 97

Increase in surplus	\$939,881 07
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Surplus December 31, 1916.....	6,246,280 66
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Surplus December 31, 1917.....	<u>\$7,186,161 73</u>
--------------------------------	-----------------------

GENERAL REMARKS

I. The company's charter, which expires on January 28, 1923, provides for a board of directors consisting of seventeen members, a majority of whom shall be citizens of this State, and each of whom shall be the owner in his own right of at least \$500 worth of stock of the company at par value. It further provides for the making of all insurances enumerated in sections 110 and 150 of the Insurance Law.

II. The company writes practically all classes of insurance permitted by its charter provisions. The net premium income in 1917, for both fire and marine, was approximately \$18,750,000, an increase of over 100 per cent of the net premium income of the previous year.

III. With the exception of the States of Florida, Kansas, Kentucky, Maine, Montana, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, Vermont and Wyoming, the company is authorized and transacts business in every State of the United States, the Territory of Alaska, Hawaiian Islands and the Dominion of Canada. Business, however, is written on risks no matter where located.

The business of the company is transacted mainly through the head office in New York city and under the direct supervision of its officers. A branch office is maintained at Montreal, Canada, under the management of J. W. Binne, who furnishes the company with monthly statements covering the business in the Dominion of Canada.

While the accounting methods are not subject to criticism, it is nevertheless pertinent to state that the premium accounts are on a cash basis. I am informed, however, that the company contemplates changing the system so as to conform with the annual statement blank in which it is required that premiums are to be reported upon a written basis.

THE HANOVER FIRE INSURANCE COMPANY

NEW YORK CITY

Examined to ascertain condition December 31, 1917.

Report dated March 18, 1918.

Examiner: Richard A. Elmer.

INCOME AND DISBURSEMENTS

A schedule of the income and disbursements from January 1, 1917, to December 31, 1917, is as follows:

Balance (ledger assets December 31, 1916)..... \$4,899,505 98

Income

Gross premiums written..... \$5,528,413 42

Return premiums \$711,796 41

Reinsurance premiums 935,756 09

1,647,552 50

Net premiums \$3,880,860 92

Interest and dividends 166,268 68

Gross rents from company's property..... 73,656 13

Profit on sale or maturity of ledger assets.... 1,256 33

Increase in liabilities on account of reinsurance

deposits 26,357 96

Agents' balances previously charged off..... 691 00

Total income 4,149,091 02

Total \$9,048,597 00

Disbursements

Gross amount paid for losses..... \$2,378,784 84

Less reinsurance, salvage, etc..... 755,659 60

Net amount paid for losses..... \$1,623,125 24

Loss expenses..... 101,091 34

Commissions or brokerage 873,807 62

Salaries 235,644 85

Rent 20,112 65

Advertising, printing and stationery..... 36,728 46

Postage, telegrams, etc..... 22,474 94

Legal expenses 515 59

Furniture and fixtures 2,426 25

Maps 8,715 51

Underwriters' boards..... 58,799 99

Fire patrol, etc. 20,876 46

Inspections and surveys 9,023 18

Repairs and expenses on real estate..... 28,971 89

Taxes on real estate..... 16,860 30

State taxes on premiums..... 49,084 51

Insurance departments fees and licenses..... 13,241 87

Federal corporation tax 16,401 92

Other disbursements 15,428 28

Dividends paid stockholders	100,000 00
Agents' balances charged off	1,348 94
Total disbursements	\$3,254,679 79
Balance (ledger assets December 31, 1917)	\$5,793,917 21

ASSETS AND LIABILITIES

The financial condition of the company on December 31, 1917, was found to have been as follows:

Ledger Assets

Book value of real estate.....	\$907,956 06	
Book value of bonds and stocks.....	3,554,643 39	
Collateral loans	2,352 00	
Cash in office.....	\$15,102 40	
Deposited in banks and trust companies	672,288 17	
Special deposit account of rein- surance treaties	26,357 96	
		713,748 53
Agents' balances representing business written subsequent to Oct. 1, 1917	\$613,176 40	
Agents' balances representing business written prior to Oct. 1, 1917	2,040 83	
		615,217 23

Total ledger assets	\$5,793,917 21
---------------------------	----------------

Non-Ledger Assets

Interest accrued on bonds.....	\$24,616 63	
Rents due	1,503 41	
Market value of real estate over book value..	71,343 94	
Unpaid reinsurance on paid losses.....	26,150 02	
		123,614 00

Gross assets	\$5,917,531 21
--------------------	----------------

Deduct Assets Not Admitted

Agents' balances over three months.....	\$2,040 83	
Market value of special deposits in excess of the corresponding liabilities.....	1,146 46	
Book value of ledger assets over market value	244,739 39	
		247,926 68
Total admitted assets	\$5,669,604 53	

Liabilities

Reserve for unpaid losses:		
Fire	\$388, 623 01	
Marine	225, 739 93	
		\$614, 362 94
Reserve for unearned premiums:		
Fire	\$3, 130, 299 20	
Marine	226, 947 42	
		3, 357, 246 62
Dividends declared and unpaid to stockholders.....		25, 000 00
Salaries, expenses, etc., due or accrued.....		6, 250 18
Estimated amount for taxes.....		70, 000 00
Contingent commissions		30, 000 00
Rents paid in advance.....		3, 305 92
Funds held under reinsurance treaties.....		26, 357 96
Total liabilities, except capital.....		\$4, 132, 523 62
Capital	\$1, 000, 000 00	
Surplus	537, 080 91	
Surplus as regards policyholders.....		1, 537, 080 91
Total		\$5, 669, 604 53

SURPLUS

The surplus reported by the company in the annual statement for the year ended December 31, 1917, amounted to the sum of \$609,404.04. The surplus shown in the foregoing financial statement amounts to the sum of \$537,080.91, a decrease of \$72,323.18. This decrease is accounted for as follows:

	<i>Increase</i>	<i>Decrease</i>
Special deposit account of reinsurance treaties.	\$26, 357 96	\$26, 357 96
Agents' balances representing business written prior to October 1, 1917.....		329 17
Reserve for unpaid losses.....		46, 993 96
Additional reserve for federal taxes.....		25, 000 00
Surplus as reported by company.....	609, 404 04	.....
Surplus as found on examination.....		537, 080 91
	\$635, 762 00	\$635, 762 00

IMPERIAL ASSURANCE COMPANY

NEW YORK CITY

*Examined to ascertain condition June 30, 1917.**Report dated October 6, 1917.**Examiner: John H. Kirker.*

HISTORY

The Imperial Assurance Company is a domestic stock fire insurance corporation duly organized and existing pursuant to the provisions of the Insurance Law of the State of New York. The company was incorporated in 1899 under the title of The Pelican Assurance Company. On October 15, 1914, under an order of the Supreme Court its corporate name was changed to the Imperial Assurance Company and its charter so amended pursuant to and in conformity with section 52 of the Insurance Law.

FINANCIAL CONDITION

The income and disbursements for the six months ending June 30, 1917, and the assets and liabilities as at that date were found to have been as follows:

Income

Gross premiums	\$561,053 34
Less reinsurance premiums.....	\$168,270 78
return premiums	109,731 52
	278,002 30
Net premiums	\$283,051 04
Interest	15,766 38
War tax stamps redeemed.....	183 68
Total income	\$299,001 10
Ledger assets December 31, 1916	960,577 80
Total	\$1,259,578 90

Disbursements

Gross losses paid	\$215,904 04
Less reinsurance	76,491 32
Net losses paid	\$139,412 72
Commissions or brokerage.....	60,985 28
Salaries	14,275 00

Traveling expenses	817 16
Rents	2,517 40
Advertising, printing and stationery.....	1,964 38
Postage, telegrams, telephone and express.....	1,436 75
Maps	797 11
Underwriters' boards and tariff associations.....	2,665 83
Fire department, fire patrol and salvage corps assessments, fees and taxes	1,449 12
Inspections and surveys	1,614 21
State taxes on premiums.....	12,120 48
Insurance department licenses and fees.....	3,104 75
All other licenses, fees and taxes.....	1,534 10
Pensions and allowances.....	1,395 75
Exchange	71 52
Dividends paid to stockholders.....	10,000 00

Total disbursements	\$256,161 56
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Balance (being ledger assets June 30, 1917).....	\$1,003,417 34
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Ledger Assets

Book value of bonds.....	\$805,160 50
Cash in bank	46,517 53
Agents' balances less than three months due.....	137,988 94
Agents' balances more than three months due.....	13,550 37
Philadelphia Fire Underwriters Association deposit.....	200 00

Total ledger assets	\$1,003,417 34
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Non-Ledger Assets

Interest accrued on bonds.....	10,203 38
Reinsurance due on paid losses.....	855 20

Gross assets	\$1,014,475 92
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Assets Not Admitted

Agents' balances more than three months due	\$13,550 37
Market value of special deposits in excess of corresponding liabilities	4,710 65
Book value of bonds over market value.....	46,868 00
	65,129 02

Total admitted assets	\$949,346 90
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Liabilities

Gross unpaid losses	\$67,905 41
Less reinsurance	35,166 31

Net unpaid losses	\$32,739 10
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Unearned premium reserve	480,682 05
Taxes due or accrued (estimated)	7,000 00
Sundry unpaid bills	906 59
Total amount of all liabilities except capital.....	\$521,327 74
Capital	\$200,000 00
Surplus over all liabilities.....	228,019 16
Surplus as regards policyholders.....	428,019 16
Total liabilities and capital.....	\$949,346 90

Bonds

The bonds owned by the company, with the exception of those on deposit with the State of Virginia, were examined and counted on September 24, 1917. The bonds on deposit as noted above were verified by a certificate obtained from the official holding such securities. Attached to this report, marked Exhibit "A" is a schedule, giving the book, par and the market values as of June 30, 1917, of all bonds owned by the company. The excess of the book value of the securities over the market value amounting to the sum of \$46,868 has been deducted as an asset not admitted in the foregoing financial statement.

Cash in Bank

The company has funds on deposit with the American Exchange National Bank of New York and the Central Trust Company of New York. The balances of these accounts as of June 30, 1917, were verified from the company's records and reconciled with certificates received from said banking institutions. The company also has a deposit with The First National Bank of San Francisco. This account is under the control of the company's general agent of the Pacific department and the balance of \$1,955.26 on June 30, 1917, was allowed as an asset by virtue of a sworn statement executed by said general agent.

Agents' Balances

The amount due the company by agents was determined from the agency ledgers which are in balance with the controlling account in the general ledger. Balances over three months due were listed and the total thereof amounting to \$13,550.37 has been deducted as an asset not admitted in the foregoing financial statement.

Special Deposit

As hereinbefore stated, the company has bonds on deposit with the State of Virginia which are held for the protection of its policyholders residing therein. In accordance with a ruling of the National Convention of Insurance Commissioners, it was found necessary in this report to deduct under the heading of "Assets not admitted" \$4,710.65, representing the market value of this deposit in excess of the corresponding liability charged by the company on account of business transacted in said State.

Unpaid Loss Reserve

The papers and records in connection with losses were examined and the unpaid losses as of June 30, 1917, including losses incurred and of which the company had no notice on that date, were listed from the loss register. As this examination was made during the latter part of September, 1917, many of said losses have been paid and in such cases the actual amount paid has been charged as a liability.

Unearned Premium Reserve

Under the company's reserve system policies written for the period of one year are arranged in two groups which show respectively policies expiring during the first six months and the last six months of each year while term policies are classified according to years of expiration. It is only on December 31st of each year that the reserve can be definitely ascertained under this system and consequently it was found necessary in computing the reserve to make certain estimates of the net premiums in force as of June 30, 1917, on term business expiring during the last six months of 1917. The unearned premium reserve computed for the purpose of this examination is \$69,175.78 in excess of the amount reported by the company in its statement submitted to this Department showing its financial condition on June 30, 1917. This difference is due to the fact that the company used incorrect fractions in calculating the reserve on the net premiums in force.

Taxes Due or Accrued

This amount is an estimate of the taxes accrued on premiums written during the first six months of 1917. It is based upon the taxes paid in 1916 on business written during 1915.

Capital Stock

The capital stock of the company is \$200,000 divided into 2,000 shares of the par value of \$100 each.

The outstanding certificates of stock were determined from the stubs of the stock certificate book and checked with the stock ledger. A list of the stockholders is filed with the working papers of this report.

MINERVA RETROCESSION AND REINSURANCE COMPANY—UNITED STATES BRANCH

COLOGNE, GERMANY

Examined to ascertain condition March 31, 1917.

Report dated July 11, 1917.

Examiner: John H. Kirker.

HISTORY AND ORGANIZATION

The company was organized and incorporated under the laws of Germany in 1886. In 1911 it entered the United States under the provisions of section 27 of the Insurance Law of the State of New York. The company has confined its operations to reinsurance under treaty arrangements with the United States branch of the Cologne Reinsurance Company of Cologne, Germany, the United States branch of the Caledonian Insurance Company of Edinburgh, Scotland, the Caledonian American Insurance Company of New York and the Scotch Underwriters.

CAPITAL STATEMENT

The financial condition of the company on March 31, 1917, under the capital statement requirements as provided for in section 27 of the Insurance Law of the State of New York was found to have been as follows:

<i>Assets</i>		
	<i>Par Value</i>	<i>Market Value</i>
Securities deposited with Insurance Departments:		
New York	\$210, 000	\$210, 000
Ohio	100, 000	108, 000
Securities vested and held in the United States		
by trustees	425, 000	419, 400
Total capital assets	\$735, 000	\$737, 400

Liabilities

Unpaid losses	\$61,320 03
Unpaid return premiums	266,963 55
Total liabilities in the United States.....	\$328,283 58
Capital under section 27 of the Insurance Law.....	409,116 42
Total (being gross assets)	\$737,400 00

GENERAL STATEMENT

The financial condition of the company on March 31, 1917, under the general form of statement was found to have been as follows:

Assets

Book value of bonds.....	\$743,893 75
Interest accrued on bonds.....	7,965 62
Total assets	\$751,859 37

Deduct Assets Not Admitted

Book value of bonds over market value.....	6,493 75
Total admitted assets	\$745,365 62

Liabilities

Unpaid losses	\$61,320 03
Unpaid return premiums	266,963 55
Total liabilities except deposit capital.....	\$328,283 58
Deposit capital	\$200,000 00
Surplus over all liabilities.....	217,082 04
Surplus as regards policyholders.....	417,082 04
Total liabilities	\$745,365 62

*Bonds:**Assets*

The securities deposited with the States of New York and Ohio were verified by means of certificates obtained from the insurance supervising officials of said States. The bonds vested and held by United States trustees for the company were not in their possession at the time this examination was made. Such bonds were examined and counted on June 11, 1917, in the office of the issuing companies or their transfer agents where they are being held pending transfer and reregistration in the names of the United States trustees of the Cologne Reinsurance Company.

A schedule of all securities owned by the company, giving the description, book, par and market values as of March 31, 1917, is shown hereunder.

<i>Deposited with the State of New York</i>	<i>Book Value</i>	<i>Par Value</i>	<i>Market Value</i>
New York City 4s, 1958.....	\$10,000 00	\$10,000	\$10,000
New York City 4s, 1959.....	200,250 00	200,000	200,000
<i>State of Ohio</i>			
United States 4s, 1925.....	114,312 50	100,000	108,000
<i>Vested and held by trustees</i>			
New York City 4½s, 1960	74,437 50	75,000	76,500
New York City 4½s, 1962	158,593 75	160,000	163,200
Chicago & Northwestern Gen'l 4s, 1987	49,187 50	50,000	48,500
Delaware & Hudson 1st 4s, 1943....	49,500 00	50,000	48,500
New York, Chicago & St. Louis 1st mtge 4s, 1937	40,050 00	40,000	37,200
Southern Pacific 1st ref. 4s, 1955....	47,562 50	50,000	45,500
	<u>\$743,893 75</u>	<u>\$735,000</u>	<u>\$737,400</u>

Liabilities

The total liabilities of the company amounting to the sum of \$328,283.58 represent balances due to ceding companies for unpaid losses and unpaid return premiums as shown hereunder.

Unpaid losses:

Due to Cologne Reinsurance Company.....	\$58,721, 70
Due to Caledonian Insurance Company....	2,598 33

Total unpaid losses.....	61,320 03
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Unpaid return premiums:

Due to Cologne Reinsurance Company....	\$264,991 96
Due to Caledonian Insurance Company, in- cluding Scotch underwriters.....	1,971 59

Total unpaid return premiums.....	266,963 55
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Total liabilities	<u>\$328,283 58</u>
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GENERAL REMARKS

As previously stated in this report, the Minerva has been writing business under treaty contracts with the United States branch of the Cologne Reinsurance Company, the United States branch of the Caledonian Insurance Company, the Caledonian American Insurance Company and the Scotch Underwriters. The Scotch Underwriters is a department of the Caledonian Insurance Com-

pany and policies issued by the Scotch Underwriters are the policies of the Caledonian Insurance Company.

The treaties with the United States branch of the Caledonian Insurance Company and the Caledonian American Insurance Company were cancelled prior to January 1, 1915, and no business was ceded to the Minerva by said Companies subsequent to that date. The liability under the unexpired reinsurance has been canceled as of March 1, 1917, and such liability has been assumed by the German American Insurance Company of New York.

The business ceded to the Minerva by the Cologne under treaty arrangements was canceled as of March 1, 1917, and such business was reassumed by the Cologne. The assets in the name of the United States trustees of the Minerva are to be transferred to the United States trustees of the Cologne. These assets are to be in part applied in settlement of balances due and losses payable by the Minerva to the Cologne and the Caledonian respectively.

Attached hereto, marked Exhibit "A," is a stipulation of the United States trustees of the Cologne relative to the use of the transferred funds in payment of the Minerva obligations.

On payment of such balances and losses, there will still remain in the possession of the United States trustees of the Cologne the sum of \$91,116.42 based upon the figures in the foregoing financial statements. This amount is to be considered and held as a trustee asset of the United States branch of the Cologne for the benefit of its policyholders in the United States.

NEW YORK NATIONAL INSURANCE COMPANY

BUFFALO, N. Y.

Examined to ascertain condition December 31, 1917.

Report dated January 30, 1918.

Examiner: C. Rebman, Jr.

<i>Ledger Assets</i>		
Mortgage loans on real estate		\$12,000 00
Book value of bonds.....	\$229, 531 93	
Book value of stocks.....	35, 875 00	
		265, 406 93
Cash in company's office.....	\$1 25	
Bank deposits not on interest.....	106, 572 69	
Bank deposits on interest.....	102, 640 31	
		209, 214 25

Agents' balances representing business written subsequent to Sept. 30, 1917.....	\$65,881 07	
Agents' balances representing business written prior to October 1, 1917.....	7,415 49	
		73,296 56
Deposit with Philadelphia Fire Underwriters Association....		100 00
Due from reinsurance companies.....		135 88
Total ledger assets		\$560,153 62

Non-Ledger Assets

Interest accrued:		
On mortgages	\$150 00	
On bonds	1,758 26	
Agents' balances representing business written in December, 1917	5,143 89	
Taxes recoverable from general agents.....	4,000 00	
Reinsurance recoverable on paid losses.....	18 53	
		11,070 68
Gross assets		\$571,224 30

Deduct Assets Not Admitted

Agents' balances representing business written prior to October 1, 1917.....	\$7,415 49	
Book value of bonds and stocks over market value	22,076 93	
Due from reinsurance companies.....	135 88	
Taxes recoverable from general agents.....	4,000 00	
		33,628 30
Total admitted assets		\$537,596 00

Liabilities

Net unpaid losses, including \$6,985 reserve for unreported losses		\$101,632 83
Unearned premiums on fire risks.....	\$203,185 73	
Unearned premiums on marine risks.....	3,821 08	
		207,006 81
Accrued taxes, estimate		4,000 00
Commissions		999 55
Total liabilities except capital.....		\$313,639 19
Capital	\$200,000 00	
Surplus over all liabilities.....	23,956 81	
Surplus as regards policyholders.....		223,956 81
Total		\$537,596 00

The income and disbursements as shown by the company's books from January 1, 1917, to December 31, 1917, were as follows:

<i>Income</i>	
Gross premiums (fire)	\$549,432 46
Less reinsurance	\$7,087 76
return premiums	147,754 85
	154,842 61
Net fire premiums	\$394,589 85
Gross premiums (marine)	\$46,136 72
Less return premiums	5,807 82
	40,328 90
Total net premiums	\$434,918 75
Gross interest on mortgage loans.....	\$300 00
Gross interest on bonds and dividends on stocks	9,681 48
Gross interest on deposits in banks.....	4,158 16
Gross interest on deposit with Philadelphia underwriters	1 25
Total gross interest and dividends.....	14,140 89
Sale of furniture	150 00
Reimbursement for state taxes under general agency contracts	2,046 21
Contribution to surplus.....	30,000 00
Total income	\$481,255 85
Ledger assets December 31, 1916.....	472,347 18
Total	\$953,603 03
<i>Disbursements</i>	
Gross amount paid policyholders for losses (fire)	\$199,487 33
Deduct salvage	2,397 09
Net amount paid for losses.....	197,090 24
Expenses of adjustment and settlement of losses.....	3,626 55
Commissions or brokerage.....	170,703 81
Salaries of special agents.....	3,051 51
Expenses of special agents.....	1,626 79
Salaries, fees and all other charges of officers, trustees and home office employees	1,496 98
Rents	264 00
Printing and stationery.....	16 45
Postage, telegrams, telephone and express.....	290 44
Fire patrol and salvage corps assessments.....	86 07

State taxes on premiums.....		2,396 29
Insurance Department licenses and fees.....		437 85
Federal corporation tax	\$69 50	
Revenue tax	250 37	
Income tax	583 30	
		903 17
Directors' fees and mileage.....	\$840 08	
Auditing	444 41	
Miscellaneous expenses	158 17	
		1,442 66
Dividends to stockholders.....		10,000 00
Loss on sale of bonds.....		16 60
Total disbursements		\$393,449 41
Balance		\$560,153 62

The items calling for explanation or comment are as follows:

Bonds and stocks:

The bonds and stocks owned by the company were examined and counted on January 14, 1918, in the vaults of the Citizens' Commercial Safe Deposit Company at Buffalo. In addition the company holds receipts representing payments aggregating \$15,000 on its subscription of \$25,000 to the United States government second 4 per cent Liberty Loan. The average market values on December 31, 1917, as adopted by the National Convention of Insurance Commissioners were used in appraising the securities, a schedule showing their book, par and market values being attached to this report. The excess of book over market value, amounting to \$22,076.93, has been deducted under assets not admitted.

Agents' balances:

The accounts current rendered by the company's subagents are summarized each month by its general agent; the net balance, after deducting home office reinsurance and over-writing commission, being charged to this account. Balances aggregating \$7,415.49 which were found to have been over ninety days due were disallowed. The net proceeds from December marine premiums, amounting to \$5,143.89, are allowed under non-ledger assets, for the reason that such premiums had not been carried into the ledger.

Unpaid losses:

The reserve for this liability was ascertained from the loss registers and papers. The amount charged in the foregoing financial statement includes estimates for losses in process of adjustment and actual subsequent payments or awards on adjusted claims, including losses incurred on or prior to December 31, 1917, of which the company had no notice on said date.

Unearned premiums:

Inasmuch as recent premiums only were classified by the company according to monthly expirations, the liability for unearned premiums was computed on two separate bases, partly on monthly pro rata and partly according to fractions stated in the blanks furnished by this Department for annual statements. Careful test checks made in the course of this examination warrant the conclusion that the amount so ascertained is adequate for this liability.

Capital:

The paid-in capital amounts to \$200,000, consisting of 2,000 shares, par value \$100 each, as verified by an examination of the stock certificate book and stock ledger.

Removal of office and records:

On or about April 10, 1917, the accounting department of the company was removed to Scranton, Pa., at which place all records are kept except stock certificate and minute books. All securities owned by the company remain at Buffalo, N. Y., where also the meetings of stockholders and directors are held.

Change of title:

The corporate name of the company at organization was "National Lumber Insurance Company." At a quarterly meeting of the directors held April 25, 1917, it was resolved to petition the Supreme Court for authority to assume the name "New York National Insurance Company." The petition was granted May 21, 1917. Under such order, reciting approval of the Superintendent of Insurance, the new corporate name is assumed on and after July 1, 1917.

A report on examination of this company dated January 14, 1916, contains earlier historical information.

The company is licensed in the States of New York, New Jersey, Michigan, Wisconsin, Ohio, Pennsylvania, Illinois, Massachusetts and Maryland, but accepts business in a number of other States and countries.

NORSKE LLOYD INSURANCE COMPANY, LIMITED — UNITED STATES BRANCH

CHRISTIANIA, NORWAY

Examined to ascertain condition August 31, 1917.

Report dated November 5, 1917.

Examiner: Isaac Fuld.

INCOME AND DISBURSEMENTS

Ledger assets December 31, 1916..... \$793,187 73

Income

Gross premiums \$1,612,077 70

Less return premiums..... 303,849 28

Net premiums \$1,308,228 42

Interest 18,905 10

Suspense account 333 11

Total income 1,327,466 63

Total \$2,120,654 36

Disbursements

Losses \$410,735 40

Commission 353,433 00

Management expense 37,184 19

Advertising 167 30

Printing and stationery 341 75

Insurance departments licenses and fees..... 956 47

Board assessments 10 00

Taxes on premiums 1,155 11

Premiums on surety bonds..... 75 00

War tax 27 97

Remitted to home office..... 17,518 75

Total disbursements 821,604 94

Balance \$1,299,049 42

FINANCIAL STATEMENT

Assets

Book value of bonds.....	\$893,547 30
Cash in bank	11,478 06
Cash in bank, trustee account.....	117,300 08
Due from other companies representing business written subsequent to May 31, 1917.....	247,306 86
Due from other companies representing business written prior to June 1, 1917.....	29,417 12
Total ledger assets	\$1,299,049 42

Non-Ledger Assets

Interest accrued:	
On bonds	\$9,738 18
On bank deposits.....	2,992 32
	12,730 50
Gross assets	\$1,311,779 92

Deduct Assets Not Admitted

Due from other companies representing business written prior to June 1, 1917.....	\$29,417 12
Book value of bonds over market value.....	26,817 30
	56,234 42
Total admitted assets	\$1,255,545 50

Liabilities

Unpaid losses	\$211,716 34
Unearned premiums:	
On one year risks.....	\$705,628 95
On term risks	297,240 00
	1,002,868 95
Taxes accrued (estimated)	700 00
Unpaid management expense	12,926 63
Trustee fee accrued	150 00
Suspense account	333 11
Total liabilities except deposit capital.....	\$1,228,695 03
Deposit capital	\$200,000 00
Impairment of deposit capital.....	173,149 53
Surplus to policyholders.....	26,850 47
Total liabilities	\$1,255,545 50

As set forth above, the deposit capital of the company is \$173,149.53 less than the minimum under statutory requirements.

CAPITAL STATEMENT

Assets

Market value of bonds with accrued interest.....	\$876,468 18
Cash in bank deposited to the credit of United States trustee	117,300 08
Accrued interest on trustee cash.....	2,570 51

Total assets in the United States, deposited with Insurance Departments and trustee.....	\$996,338 77
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Liabilities

Unpaid losses	\$211,716 34
Unearned premiums	1,002,868 95
Taxes accrued (estimated)	700 00
Unpaid management expense	12,926 63
Trustee fee accrued	150 00
Suspense account	333 11

Total liabilities in the United States.....	\$1,228,695 03
Excess of liabilities over assets.....	232,356 26

Balance (being the gross assets reported above).....	\$996,338 77
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The foregoing capital statement shows that on date of this examination the capital, under the requirements of section 27 of the Insurance Law, was entirely wiped out, and that a further deficiency existed of \$232,356.26.

This deficiency was made good by deposit on November 22, 1917, of \$500,000 with United States trustee, under the terms of Deed of Trust of July 23, 1915.

Annual Statement

In the annual statement filed with the Department for the year ending December 31, 1916, the company reported its unearned premium liability computed upon the fractions set forth in the statement blank.

While no actual computation of this liability as of such date was made at this time, it appears, according to the increase of net writings from month to month during the year 1916, as set forth below, that the unearned premium reserve computed upon a pro rata basis would have been at least \$100,000 in excess of the amount reported.

<i>Month</i>	<i>Net Writings</i>
January .....	.....
February .....	.....
March	\$8, 253 38
April	13, 007 09
May	19, 964 53
June	37, 839 28
July	45, 331 67
August	60, 823 88
September	59, 564 22
October	76, 342 84
November	92, 718 07
December	83, 876 93
Total	\$497, 721 89

Limitation of Risk

The company has a number of risks in force varying from \$50,000 to \$100,000 each, which, from the information appearing on the ceding companies' bordereaux, are evidently single risks and in excess of 10 per cent of its capital and surplus. The company was at no time since its admission in possession of a capital and surplus of \$500,000, consequently the assumption of lines as stated above was not in conformity with the limitations prescribed in section 24 of the Insurance Law.

General Remarks

The Norske Lloyd Insurance Company of Christiania, Norway, was organized in 1905 under laws of the Kingdom of Norway and was on January 20, 1916, authorized to transact the business of fire insurance in this State. The company is also authorized in the States of Arkansas, Colorado, Delaware, Illinois, Indiana, Iowa, Louisiana, Massachusetts, Michigan, Mississippi, Montana, Nevada, New Hampshire, New Jersey, North Carolina, Ohio, Pennsylvania, Texas, Utah and West Virginia.

While the company is admitted only in the above-named States, risks are accepted, however, located in all States in the United States and Canada.

The United States branch of the company confines itself to the transaction of a reinsurance business, and risks are assumed against loss or damage by fire, wind storm or tornado and explosion.

The International Fire and Marine Agency Corporation is the United States manager of the company, and the Guaranty Trust Company of New York is the United States trustee.

NORTHERN INSURANCE COMPANY — UNITED STATES BRANCH

Moscow, RUSSIA

Examined to ascertain condition January 31, 1918.

Report dated April 24, 1918.

Examiner: Isaac Fuld.

INCOME AND DISBURSEMENTS

Income

Gross premiums	\$2, 057, 748 77	
Less return premiums.....	655, 437 91	
Total net premiums	\$1, 402, 310 86	
Interest	52, 389 41	
Total income	\$1, 454, 700 27	
Ledger assets December 31, 1916.....	1, 129, 113 20	
Total	\$2, 583, 813 47	

Disbursements

Losses	\$525, 143 53	
Expenses in adjustment of losses.....	9, 414 71	
Commissions	464, 348 14	
Salaries	500 00	
Advertising	58 61	
Printing and stationery.....	18 25	
Maps	35 63	
Fire department, patrol and salvage corps assessments and fees	205 53	
State taxes on premiums.....	4, 566 87	
Insurance department licenses and fees.....	1, 695 05	
Federal taxes	2, 345 54	
Management expense	31, 334 59	
Auditing	150 00	
Subscriptions	29 00	
Miscellaneous expenses	98 68	
Total disbursements	1, 039, 944 13	
Balance	\$1, 543, 869 34	

FINANCIAL STATEMENT

Ledger Assets

Book value of bonds.....	\$1,075,461	89
Cash in bank on interest.....	12,582	63
Cash in bank on interest (trustee account).....	248,494	15
Balances due from ceding companies repre- sented business written subsequent to October 31, 1917	\$229,416	19
Less balances due other companies.....	25,545	63
		203,870 56
Reserve on Canadian business held by ceding company.....	3,460	11
Total ledger assets	\$1,543,869	34

Non-Ledger Assets

Interest accrued:		
On bonds	\$15,922	88
On bank deposits (trustee account).....	801	45
		16,724 33
Gross assets	\$1,560,593	67

Deduct Assets Not Admitted

Book value of bonds over market value.....	\$11,191	89
Reserve on Canadian business held by ceding company representing premiums written prior to November 1, 1917.....	2,357	51
		13,549 40
Total admitted assets	\$1,547,044	27

Liabilities

Unpaid losses	\$333,846	94
Unearned premiums:		
One year risks	\$326,390	37
Term risks	219,779	17
		546,169 54
State taxes accrued on premiums (estimated).....	7,500	00
Federal tax on premiums.....	235	20
Unpaid management expense	6,116	21
Contingent commissions accrued (estimated).....	5,000	00
Reinsurance premiums (net)	238,078	10
Total liabilities except deposit capital.....	\$1,136,945	99
Deposit capital	\$200,000	00
Surplus	210,098	28
Surplus to policyholders	410,098	28
Total liabilities	\$1,547,044	27

CAPITAL STATEMENT

Assets

Market value of bonds together with accrued interest thereon	\$1,080,192 88
Cash in bank (trustee account) plus accrued interest.....	249,295 60

Total assets in the United States, deposited with Insurance Departments and trustee.....	\$1,329,488 48
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Liabilities

Unpaid losses	\$333,846 94
Unearned premiums	546,169 54
State taxes accrued on premiums (estimated).....	7,500 00
Federal tax on premiums.....	235 20
Unpaid management expense	6,116 21
Contingent commission accrued (estimated).....	5,000 00
Reinsurance premiums	238,078 10
Balances due other companies.....	25,545 63

Total liabilities in the United States.....	\$1,162,491 62
Capital under section 27 of the Insurance Law.....	166,996 86

Total (being the gross assets reported above)	1,329,488 48
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The foregoing capital statement shows the company to have been, on date of this examination, in possession of a capital of \$166,996.86, which is \$33,003.14 short of the statutory requirements. This deficiency, which was due principally to the company's loss experience during January, 1918, was made good prior to the completion of this examination by the United States manager depositing on February 23, 1918, \$90,000 in cash to the credit of the United States trustee. As verifying said deposit affidavits of the United States manager and United States trustees are attached hereto.

Reinsurance Premiums

The company reinsured as of January 31, 1918, a certain portion of risks in force, the unearned premiums thereon less commission amounting to \$238,078.10. As no part of this amount was paid on said date, the total thereof has been charged as a liability in the foregoing financial and capital statements.

*Annual Statements of December 31, 1917, as Filed with the
Department by the Company*

The general and capital statements filed by the company with the Department for the year ending December 31, 1917, show respectively a surplus to policyholders of \$296,787.57 and a capital under the provisions of section 27 of the Insurance Law of \$73,462.46. These statements upon verification were found to be substantially correct. The capital as reported was \$126,537.46 less than the statutory requirements. On January 9, 1918, the company cancelled a portion of risks in force, the return commission thereon, together with the commission on the reinsurance previously referred to in this report under the caption "Reinsurance Premiums" being sufficient to make good the deficiency existing on December 31, 1917.

Statutory Deposits

For the protection of its policyholders in the United States, the company has deposited the following bonds with the insurance departments of the States of New York and Ohio.

<i>State</i>	<i>Description</i>	<i>Par Value</i>	<i>Market Value</i>
New York,	City of New York, N. Y., 4¼s, 1960	\$200, 000	\$202, 000
Ohio,	City of Columbus, O., 4s, 1931....	100, 000	100, 000
		\$300, 000	\$302, 000

Remittances to and from Home Office

From January 1, 1913, to January 31, 1918, no funds were received by the United States branch of the company from its home office. The only remittance to the home office during said period was made in the early part of 1914 and consisted of \$100,000.

General Remarks

The Northern Insurance Company of Moscow, Russia, was organized in 1872 under the laws of the Russian Empire and was on November 24, 1911, admitted to transact the business of fire insurance in this State. The company is also authorized in the States of Arkansas, Colorado, Illinois, Indiana, Iowa.

Louisiana, Maine, Massachusetts, Michigan, Mississippi, Montana, Nevada, New Hampshire, New Jersey, North Carolina, Ohio, Pennsylvania, Texas and West Virginia. While the company is only authorized in the above-named States, insurances are accepted on risks no matter where located.

The United States branch of the company confines itself to the transaction of a reinsurance business. The net premium income for the year 1917 was approximately \$1,435,000, which is an increase of practically 100 per cent over the net premium income for the year 1916. Owing to the cancellation of several reinsurance contracts and the reduction of the amounts ceded under others, the premium income for the current year will be materially reduced.

Fester & Folsom, Inc., is the United States manager of the company and the Bankers Trust Company of New York its United States trustee.

THE STUYVESANT INSURANCE COMPANY

NEW YORK, N. Y.

Examined to ascertain condition December 31, 1917.

Report dated March 5, 1918.

Examiner: Isaac Fuld.

Income

Gross premiums — fire.....	\$2,986,206	30
Less reinsurance premiums.....	\$1,576,405	95
Less return premiums..	939,043	23 2,515,449 18
Net premiums — fire... ..	\$470,757	12
Gross premiums — marine.....	\$159,427	28
Less reinsurance premiums.....	\$36,398	16
Less return premiums..	19,131	31 55,529 47
Net premiums — marine.....	103,897	81
Total net premiums.....	\$574,654	93

Interest and dividends.....	83,542 70
Borrowed money.....	375,000 00
Profit on sale of bonds and stocks.....	7,301 75
Total income.....	\$1,040,499 38
Ledger assets December 31, 1916.....	2,256,953 83
Total.....	\$3,297,453 21

Disbursements

Net amount paid for losses.....	\$815,784 69
Expenses of adjustment of losses.....	27,346 64
Commissions.....	143,564 31
Salaries.....	40,162 91
Rent.....	2,832 50
Advertising, printing and stationery.....	5,547 77
Postage, telegrams, etc.....	4,519 38
Legal expenses.....	1,500 00
Furniture and fixtures.....	594 73
Maps.....	37 00
Underwriters' boards.....	10,830 45
Fire patrol.....	4,943 68
Inspection and surveys.....	2,691 53
State taxes on premiums.....	29,544 11
Insurance department licenses and fees.....	5,624 16
Federal corporation tax.....	4,223 03
Capital stock tax.....	454 40
Investment expenses.....	714 63
Dividends.....	21,000 00
Borrowed money repaid.....	120,000 00
Interest on borrowed money.....	2,532 70
Loss on sale of bonds and stocks.....	23,325 82
Total disbursements.....	1,267,779 57
Balance.....	\$2,029,673 64

FINANCIAL STATEMENT

Ledger Assets

Mortgage loans on real estate (first liens).....	\$17,000 00
Book value of bonds and stocks.....	1,649,846 35
Cash in office.....	19 31
Cash in bank and trust companies.....	159,182 79
Agents' balances representing business written subsequent to September 30, 1917.....	177,264 75
Agents' balances representing business written prior to October 1, 1917.....	26,360 44
Total ledger assets, as per balance.....	\$2,029,673 6

Non-Ledger Assets

Interest accrued		
On mortgage loans.....	\$200 63	
On bonds.....	8,017 56	
		8,218 19
Reinsurance recoverable on paid losses.....		65,171 52
Gross assets.....	\$2,103,063 66	

Deduct Assets Not Admitted

Agents' balances representing business written prior to		
October 1, 1917.....	\$26,360 44	
Book value of bonds over market value.....	86,411 35	
		112,771 79
Total admitted assets.....	\$1,990,291 87	

Liabilities

Unpaid losses and claims, less reinsurance.....	\$431,972 84	
Unearned premiums:		
On one year risks (fire).....	\$419,851 34	
On term risks (fire).....	161,539 80	
On marine risks.....	6,975 66	
		588,366 80
Unpaid bills.....		3,000 00
Taxes accrued (estimated).....		9,000 00
Borrowed money.....		255,000 00
Interest accrued on borrowed money.....		656 94
Total liabilities except capital.....	\$1,287,996 58	
Capital.....	\$700,000 00	
Surplus.....	2,295 29	
Surplus to policyholders.....		702,295 29
Total liabilities.....	\$1,990,291 87	

Special Deposits

The company has no deposit in the state and country named below the following bonds for the protection of its policyholders residing therein:

State or Country	Description	Par value	Market value
Georgia	City of Savannah, Ga., 4½%, 1959.....	\$10,000	\$10,500
Canada	Province of Ontario, Canada, 3½%, 1936.....	84,000	66,360
Totals	.....	\$94,000	\$76,860

Dividends

During the year 1916 three quarterly dividends of $1\frac{1}{2}\%$ each were declared and paid. On January 26, 1917, a quarterly dividend of $1\frac{1}{2}\%$ plus an extra dividend of $1\frac{1}{2}\%$ was declared and subsequently paid. The declaration of the dividends in January, 1917, was based upon the condition of the company as set forth in its annual statement filed with the department for the year 1916. This statement showed a surplus of \$225,756.10, which, as the result of the audit made by the department, was reduced to \$91,838.76. While no verification of said annual statement was made at this time, a cursory investigation thereof apparently indicates that the declaration of the January, 1917, dividend was unwarranted.

General Agency Contract

Under a contract dated February 28, 1913, Mr. J. S. Frelinghuysen was appointed general agent for the company. This contract was amended in November 1915, upon Mr. Frelinghuysen's election as vice-president and general manager, changing his compensation from a commission to a salary. In addition, the company is to pay the expenses incurred by the general agent in conducting the business.

Reinsurance

The company reinsured as of June 30, 1917, one half of all of its outstanding risks in the Globe and Rutgers Fire Insurance Company, of New York, the unearned premiums thereon amounting to \$406,915.26.

General Remarks

A merger was effected on March 28, 1916, between the Stuyvesant Insurance Company, of New York, and the Lumber Insurance Company, of New York, the merged corporation retaining the name The Stuyvesant Insurance Company.

The company makes insurance upon practically all risks enumerated in section 110. Prior to June 1, 1917, it was also engaged in the business of ocean marine insurance.

It is authorized in the states of Arkansas, California, Colorado, Illinois, Louisiana, Maryland, Minnesota, Mississippi, Missouri,

Montana, New Jersey, New York, Ohio, Oregon, Pennsylvania, Tennessee, Utah, Washington and Georgia, the Territory of Alaska and the Dominion of Canada. Business, however, is written on risks located in practically every state and territory of the United States as well as in Canada, Cuba and Mexico.

The net premium income of the year 1917 shows a marked decrease from the previous year. This is due in a measure to the June 30, 1917, reinsurance of approximately \$400,000, and to the fact that the underwriting methods have been changed, the operations of the company being now on a more conservative basis.

UNION AND PHENIX ESPANOL INSURANCE COMPANY — UNITED STATES BRANCH

MADRID, SPAIN

Examined to ascertain condition December 31, 1918.

Report dated April 24, 1918.

Examiner: Isaac Fuld.

INCOME AND DISBURSEMENTS

Income

Gross premiums	\$2, 411, 260 18
Less return premiums.....	458, 236 57
Total net premiums.....	\$1, 953, 023 61
Interest	64, 391 10
Received from home office.....	100, 000 00
Profit on sale of bonds.....	489 36
Total income	\$2, 117, 904 07
Ledger assets December 31, 1916.....	1, 607, 754 08
Total	\$3, 725, 658 15

Disbursements

Losses paid	\$889, 384 68
Expenses in adjustment of losses.....	13, 240 80
Commissions	609, 013 64
Salaries	600 00
Advertising	90 16
Printing and stationery.....	33 50

Postage, telegrams and telephone.....	42 33
Maps	2 50
Fire department, patrol and salvage corps assessment and fees	657 70
States taxes on premiums.....	10,465 80
Insurance Department licenses and fees.....	1,693 00
Federal corporation tax.....	2,071 38
Revenue tax	2,369 95
Management expense	28,762 00
Auditing	150 00
Loss on sale of bonds.....	1,506 25
Remitted to home office.....	82,250 00
Miscellaneous expense	217 01
Total disbursements	1,642,550 70
Balance	\$2,083,107 45

FINANCIAL CONDITION

Ledger Assets

Book value of bonds.....	\$1,454,949 90
Cash in bank	13,746 90
Cash in bank, trustee account.....	497,369 93
Balances due from ceding companies representing business written subsequent to September 30, 1917.....	117,040 72
Total ledger assets.....	\$2,083,107 45

Non-Ledger Assets

Interest accrued on bonds.....	20,537 45
Gross assets	\$2,103,644 90

Deduct Assets Not Admitted

Book value of bonds over market value.....	39,019 90
Total admitted assets.....	\$2,064,625 00

Liabilities

Unpaid losses	\$284,173 27
Unearned premiums:	
One year risks	\$690,995 34
Term risks	642,769 39
	1,333,764 73
Taxes accrued on premiums (estimate).....	15,000 00
Federal income tax	1,395 63
Contingent commission accrued (estimate).....	5,000 00
Unpaid management expenses.....	22,034 44
Total liabilities except deposit capital.....	\$1,681,368 07

Deposit capital	\$200,000 00
Surplus	203,256 93
Surplus to policyholders.....	403,256 93
Total liabilities	\$2,064,625 00

CAPITAL CONDITION

Assets

Market value of bonds including accrued interest.....	\$1,436,467 45
Cash in bank, trustee account.....	497,369 93

Total assets in the United States, deposited with insurance departments and trustee.....	\$1,933,837 38

Liabilities

Unpaid losses	\$284,173 27
Unearned premiums	1,333,764 73
Taxes accrued on premiums.....	15,000 00
Federal income tax	1,395 63
Contingent commission	5,000 00
Unpaid management expense.....	22,034 44

Total liabilities in the United States.....	\$1,661,368 07
Capital under section 27 of the Insurance Law.....	272,469 31

Total (being the gross assets reported above).....	\$1,933,837 38

Annual Statement

The company in its annual statement filed with the Department for the year ending December 31, 1917, reported a surplus of \$205,687. The surplus reported has, as the result of this examination, been reduced to \$203,256.93, a reduction of \$2,430.07. The following is a list in detail of the differences comprising this reduction.

Increase in liabilities:	
Unpaid management expense	\$3,034 44
Decrease in liabilities:	
Taxes accrued	604 37
Net increase in liabilities.....	\$2,430 07
Surplus set forth in this report.....	203,256 93
Surplus reported by the company	\$205,687 00

UNIVERSITY OF ILLINOIS LIBRARY
JUN 1 1921

In its capital statement the company reported a capital of \$274,899.38, which has, owing to the above differences, been reduced to \$272,469.31.

Statutory Deposits

The company has on deposit in the States of New York and Ohio the following bonds for the protection of its policyholders in the United States.

<i>State</i>	<i>Description</i>	<i>Par Value</i>	<i>Market Value</i>
New York	City of New York, N. Y., 4½s, 1960	\$200,000	\$200,000
Ohio	City of Cleveland, O., 5s, 1924	19,000	20,140
	City of Cleveland, O., 4s, 1929	1,000	1,010
	City of Cleveland, O., 4s, 1940	20,000	20,200
	City of Toledo, O., 4s, 1940	30,000	30,600
	City of Cincinnati, O., 4s, 1960	30,000	30,000
Totals		\$300,000	\$301,950

Remittances to and from Home Office

The following schedule shows all remittances to and from the home office of the company from January 1, 1913, to December 31, 1917.

<i>Year</i>	<i>Received from Home Office</i>	<i>Remitted to Home Office</i>
1913 . . . . .	.....	\$15,004 15
1914	\$1,504 97	75,000 00
1915	2,353 78	.....
1916 . . . . .	.....	24,794 20
1917	100,000 00	82,250 00
Totals		\$103,858 75 \$197,048 35

General Remarks

The Union and Phenix Espanol Insurance Company of Madrid, Spain, was organized on June 5, 1864, under the laws of the Kingdom of Spain, and was on October 7, 1910, admitted to transact the business of fire insurance in this State. The company is also authorized in the following States: Arkansas, Colorado, Illinois, Indiana, Iowa, Louisiana, Maine, Massachusetts,

Michigan, Mississippi, Montana, Nevada, New Hampshire, New Jersey, North Carolina, Ohio, Pennsylvania, Texas and West Virginia.

While the company is only authorized in the above-named States, insurances are accepted on risks no matter where located.

The United States branch of the company confines itself to the transaction of a reinsurance business. The net premium income of approximately \$1,950,000 is about \$700,000 in excess of the net premium income of the previous year.

Fester & Folsom, Inc., is the United States manager of the company and the Bankers Trust Company of New York its United States trustee.

UNION ASSURANCE SOCIETY, LIMITED — UNITED STATES BRANCH

LONDON, ENGLAND

Examined to ascertain condition December 31, 1917.

Report dated April 24, 1918.

Examiner: C. Rebman, Jr.

Income

January 1st to December 31, 1917

Gross premiums	\$1,605,094 11	
Deduct reinsurance	\$397,872 24	
Return premiums	320,792 22	
	718,664 46	
		\$886,429 65
Interest received on bonds less \$68.75 accrued interest on bonds acquired.....	\$50,235 60	
Dividends on stocks.....	100 00	
		50,335 60
Interest on deposits		11,385 81
Remittances from home office.....		58,022 86
Profit on sale of bonds.....		147 62
Total income	\$1,006,321 54	
Ledger assets December 31, 1916.....	1,742,923 65	
		\$2,749,245 19

<i>Disbursements</i>	
Gross losses paid.....	\$486,257 18
Less salvage	\$3,740 92
Less reinsurance	135,132 79
	138,873 71
Expenses of adjustment	\$347,383 47
Commission or brokerage.....	12,391 88
Miscellaneous expenses of agencies.....	195,780 72
Salaries and expenses of special and general agents.....	2,385 57
Salaries of officers and employees.....	25,923 40
Rent	50,340 13
Advertising, printing and stationery.....	6,277 74
Postage, telegrams, telephones and express.....	7,899 39
Legal expenses	4,372 93
Furniture and fixtures	161 55
Maps, etc.	270 31
Underwriters' boards and tariff associations.....	2,008 28
Fire departments, etc., taxes and fees.....	9,701 31
Inspections and surveys	6,185 70
State taxes on premiums.....	3,457 65
Insurance departments, licenses and fees.....	11,471 79
War revenue tax	3,556 07
State, municipal, county and franchise tax.....	431 85
Federal corporation tax	1,166 60
Capital stock tax	2,212 46
Remittances to home office.....	330 50
Miscellaneous office expenses.....	36,010 80
Exchange	131 50
Decrease by adjustment in book value of bonds.....	261 59
	1,144 52
Total disbursements	\$731,257 71
Balance	\$2,017,987 48

The assets and liabilities as of December 31, 1917, under the general form of statement, were found to have been as follows:

<i>Ledger Assets</i>	
Book value of bonds.....	\$1,357,528 21
Stocks	1,000 00
	\$1,358,528 21
Cash in bank:	
On interest	\$441,823 20
Not on interest	14,238 62
	456,061 82
Agents' balances under ninety days due.....	189,432 63

Agents' balances over ninety days due.....	7,132 70
Reinsurance recoverable and adjustment expense on paid losses	6,832 12

Total ledger assets..... \$2,017,987 48

Non-Ledger Assets

Accrued interest on bonds.....	12,758 31
Reinsurance recoverable on paid losses.....	2,656 00

Gross assets \$2,033,401 79

Deduct Assets Not Admitted

Agents' balances over ninety days due.....	\$7,132 70
Market value of special deposits over corresponding liabilities per special deposits schedule	14,011 32
Book value of bonds and stocks over market value	64,798 21
	85,942 23

Total admitted assets \$1,947,459 56

Liabilities

Unpaid losses	\$114,376 33
Unearned premium reserve	819,081 14
Accrued taxes (estimated)	20,197 00
Contingent commissions (estimated).....	3,725 00
Bills due or accrued	472 71

Total liabilities except capital..... \$957,852 18

Deposit capital \$200,000 00

Surplus over all liabilities..... 789,607 38

Surplus to policyholders..... 989,607 38

Total liabilities \$1,947,459 56

CAPITAL STATEMENT

The statement which follows shows the financial condition of the Company on December 31, 1917, under the provisions of section 27 of the New York Insurance Law.

Assets

Deposited with insurance departments:

<i>State</i>	<i>Description</i>	<i>Par Value</i>	<i>Market Value</i>
New York.....	New York City 3½s, 1954.....	\$187,000	\$166,430
New York.....	New York City 3½s, 1949.....	25,000	22,250
New York.....	New York City 3½s, 1941.....	25,000	22,750
New York.....	New York City 3½s, 1940.....	50,000	45,500
Ohio.....	District of Columbia 3.65s, 1924.....	100,000	102,000
North Carolina..	U. S. (Panama) 3s, 1961.....	10,000	9,500
Georgia.....	U. S. (Panama) 3s, 1961.....	11,000	10,450
			\$378,880

Market value of bonds and stocks invested and held in the United States by trustees.....		914,850
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Total gross assets in the United States deposited with insurance departments and trustees.....		\$1,293,730
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Liabilities

Net unpaid losses	\$114,376 33
Unearned premiums	819,081 14
Reinsurance premiums, net	11,274 36
Accrued taxes, estimate	20,197 00
Contingent commissions	3,725 00
Bills due and accrued	472 71

Total liabilities in the United States.....	\$969,126 54
Capital under section 27 of the insurance law.....	324,603 46

Total (being the gross assets reported above).....		\$1,293,730 00
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Examination

The examination was made at the New York office, and embraces income and disbursements, assets and liabilities of all departments. Sworn statements furnished by the western department and by the Pacific coast branch, containing the requisite information and data, were accepted for the purpose of this report.

History and Organization

The Union Assurance Society, Limited, of London, England, was incorporated and organized under the laws of Great Britain on July 30, 1907. It commenced business in the United States in 1909 and was, on April 3, 1912, admitted to transact the business of fire insurance in the State of New York.

The principal office of the company in the United States is located at No. 55 John street, New York, under the management of A. H. Wray; the Western Department, of which H. C. Eddy is the resident secretary, is at Chicago; the Pacific coast branch, with Harry H. Smith as manager, is at San Francisco. All transactions of the latter office are reported in detail direct to the head office of the company in London, and quarterly to the New York office. The Chicago office renders monthly accounts to New York, where all statements to insurance departments are prepared. The company is licensed in thirty-five States.

Trustees

The present accredited United States trustees of the company are Messrs. Walter P. Bliss of Mendham, N. J.; John Claffin of Morristown, N. J.; Frederick B. Campbell of New York.

The trust deed, containing the customary provisions, was executed on April 12, 1912, and on November 7, 1913, in London, by two directors and the secretary of the company, and on April 12, 1912 and November 21, 1913, respectively, by the United States trustees. The instrument has been approved by the insurance department of this State.

Remittances to and from the home office:

The following table shows the moneys received from and remitted to the home office of the company by the United States branch during the three years preceding date of this examination.

	<i>Received</i>	<i>Remitted</i>
1915	\$52,314 10	\$93,143 65
1916	24,981 70	13,281 89
1917	58,022 86	36,010 80

Bonds and Stocks:

The securities owned by the company were examined and counted in the vaults of the Guaranty Trust Company, except those on deposit with insurance departments and for which certificates were obtained from the proper officials, also \$10,000 par value Pennsylvania General Freight Equipment Trust bonds

in course of transmission for redemption, the proceeds of the same having been received by the company on April 8, 1918.

The market values were furnished by the audit bureau of this department, and are in accordance with the average market rates adopted by the National Convention of Insurance Commissioners.

Special deposits:

The excess of market value of securities deposited in the States of North Carolina and Georgia, over corresponding liabilities, was found to aggregate \$14,011.32 as against \$14,807.62, the amount computed by the company.

Unpaid Losses:

With the exception of the Pacific Coast branch, specific estimates were used in ascertaining the liability for unpaid losses. Where payment had been made since December 31, 1917, the amount paid, including adjustment expenses, was used in determining the liability. Approximately \$23,000.00 of this is on account of claims incurred on or prior to December 31, 1917, notices of which had not been received until subsequent thereto. Investigation of subsequent payments indicate that the estimates of the company's general adjuster may be taken as reasonably safe for practical purposes.

Unearned premiums:

The premiums written, cancelled and reinsured are classified by the company on annual rather than on monthly bases, making it difficult to compute correctly the amount of unearned premiums at dates other than on December 31 of this year.

It is to be noted that the reserve for unearned premiums as computed by the examiners exceed the company's reserve in the sum of \$45,425.09, which is due to the fact that on annual premiums the examiners have employed the monthly pro rata basis as against a fifty per cent reserve used by the company.

UNITED STATES MUTUAL AUTOMOBILE FIRE
INSURANCE COMPANY

NEW YORK CITY

*Examined on organization.**Report dated December 17, 1917.**Examiner: Morris Finkelstone.*

Section 321 of the Insurance Law provides that —

* * * No such corporations shall issue any policies of insurance unless, and until * * * at least one thousand persons owning not less than fifteen hundred automobiles have agreed to become members of such corporation, and have applied for, and agreed to take insurance therein, covering one or more of the kinds of insurance specified in section three hundred and twenty; nor unless the annual premium cost of the insurance thus agreed to be taken shall be not less than thirty thousand dollars at the rates charged by the company, nor until the facts specified in this section have been certified under oath to the superintendent of insurance by at least three of the persons signing the original certificate and the superintendent of insurance has issued a certificate of authority to such corporation, authorizing it to begin writing the insurance specified in this article; nor until the superintendent of insurance shall be satisfied by an examination of the corporation or otherwise that the applications for membership are bona fide, which applications shall state that the applicants agree to accept and take the policies of insurance referred to therein within a period of three months from the date of the issuance to the corporation by the superintendent of insurance of a certificate of authority to transact the business of insurance specified in this article. * * *

I find that the company has obtained signed applications from over 1,000 persons, representing themselves as the owners of more than 1,500 automobiles; that such applications show that such persons have applied for and agreed to take insurance in this company within the time limited by law covering one or more of the kinds of insurance specified in section 320 of the Insurance Law; that the incorporators of the company state that the annual premium cost of the insurance thus agreed to be taken, according to the schedule of rates which will be adopted, will amount in the aggregate to over \$30,000.

Attached hereto are the affidavits submitted by three of the persons who signed the original certificate of incorporation, in which

they substantially verify the statements hereinabove set forth; an affidavit submitted by E. F. Perry, president of the company, setting forth the names of the persons he employed to solicit applications, and the affidavit of each of such solicitors to the effect that the signers of the applications obtained by each fully understood the nature of the agreement, and that each application submitted represents a bona fide application for insurance and was signed in good faith; a copy of the published notice of the intention to form the said corporation with affidavit of the person representing the publisher of the newspaper in which such notice was published, and a copy of the application blank used in the solicitation of members.

L'URBAINE FIRE INSURANCE COMPANY — UNITED STATES BRANCH

PARIS, FRANCE

Examined to ascertain condition December 31, 1917.

Report dated April 15, 1918.

Examiner: Richard A. Elmer.

The office of the United States Branch is located in the city of New York, and the details of the business written is under the direct supervision of the corporation of Fred S. James & Company, the United States manager, with the exception of the Pacific Coast Department. This department, which does a small reinsurance business, reports directly to the head office in France, and furnishes the United States manager with monthly statements of the business transacted, and quarterly statements of the financial condition. The figures contained in these statements are combined with the corresponding figures of the New York office, and are incorporated in the annual and quarterly statements filed by the company with the Insurance Department of this State, and represent the total business transacted in the United States. For the purpose of this report the statements furnished by the manager of the Pacific Coast Department have been accepted as showing the condition of the company at the

said point, and the figures contained therein have been combined with the figures found on examination, and are so shown in the following statements and schedules.

Capital Statement

The financial condition of the United States Branch on December 31, 1917, under the capital statement requirements as provided for in section 27 of the insurance law, was found to have been as follows:

Assets

Securities deposited with Insurance Departments:

	<i>Par Value</i>	<i>Market Value</i>
State of Ohio.....	\$100,000 00	\$100,000 00
State of New York.....	200,000 00	205,500 00
Securities vested in and held by the United States Trustees	1,052,850 00	960,658 50
Total capital assets.....		<u>\$1,266,158 50</u>

Liabilities

Reserve for unpaid losses.....	\$148,232 74
Reserve for unearned premiums.....	474,438 86
Reserve for accrued or due liabilities.....	34,359 39
Total liabilities	<u>\$657,030 99</u>
Capital under section 27 of the insurance law.....	609,127 51
Total	<u><u>\$1,266,158 50</u></u>

Income and Disbursements

The income and disbursements from January 1, 1917, to December 31, 1917, were found to have been as follows:

Balance (ledger assets December 31, 1916).....	<u>\$902,346 71</u>
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Income

Gross premiums written.....	\$1,192,564 52
Less reinsurance and return premiums.....	507,612 14
Net premiums	<u>\$684,952 38</u>
Interest on bonds and bank deposits.....	25,433 88
Increase in liabilities during year on account of reinsurance treaties	922 76

Agents balances, previously charged off.....	35 68
Remittance from home office.....	499,759 36
Total income	\$1,211,104 06
Amount carried forward.....	\$2,113,450 77
<i>Disbursements</i>	
Net amount paid policyholders for losses.....	\$332,667 84
Expenses of adjustments and settlement of losses.....	5,217 70
Commissions or brokerage.....	231,602 32
Expenses and taxes.....	20,705 62
Remittance to home office.....	36,464 46
Total disbursements	\$626,657 94
Balance (ledger assets December 31, 1917).....	\$1,486,792 83

The various items in the foregoing schedule of income and disbursements are as shown by the books of account, and no audit has been made of the company's vouchers and records. The New York office is audited by a firm of certified public accountants, and I am informed that a similar audit is conducted at the Pacific Coast Department.

FINANCIAL STATEMENT

The financial condition of the company under the general form of statement was found to have been as follows:

<i>Ledger Assets</i>	
Book value of bonds.....	\$1,288,487 10
Cash on deposit.....	84,412 54
Agents' balances representing business written subsequent to October 1, 1917.....	98,051 46
Agents' balances representing business written prior to October 1, 1917.....	659 23
Funds held on account of reinsurance treaties and invested in Anglo-French bonds.....	15,182 50
Total ledger assets	\$1,486,792 83
<i>Non-Ledger Assets</i>	
Accrued interest on bonds.....	18,303 44
Reinsurance recoverable on paid losses.....	816 48
Gross assets	\$1,505,912 75

Deduct Assets Not Admitted

Agents' balances representing business written prior to October 1, 1917.....	\$659 23	
Book value of bonds over market value.....	22,328 60	
		<u>22,987 83</u>
Total admitted assets	\$1,482,924 92	

Liabilities

Reserve for unpaid losses.....	\$148,232 74	
Reserve for unearned premiums.....	474,438 86	
Salaries, expenses, etc., due or accrued.....	287 50	
Contingent commissions due or accrued.....	8,889 39	
Federal, state and other taxes due or accrued.....	10,000 00	
Funds held under reinsurance treaties.....	15,182 50	
		<u>\$657,030 99</u>
Minimum deposit capital.....	\$200,000 00	
Surplus over all liabilities.....	625,893 93	
		<u>825,893 93</u>
Surplus as regards policyholders.....		825,893 93
		<u>\$1,482,924 92</u>

THE WARSAW FIRE INSURANCE COMPANY—
UNITED STATES BRANCH

WARSAW, RUSSIA

Examined to ascertain condition December 31, 1918.

Report dated April 25, 1918.

Examiner: Isaac Fuld.

INCOME AND DISBURSEMENTS

Income

Gross premiums	\$1,045,529 88	
Less return premiums	204,808 72	
		<u>\$840,721 16</u>
Total net premiums		31,990 26
Interest		<u>\$872,711 42</u>
Total income		776,810 64
Ledger assets December 31, 1916.....		
		<u>\$1,649,522 06</u>

Disbursements

Losses paid	\$844,714 69	
Expenses in adjustment of losses	6,343 93	
Commission	242,307 31	
Salaries	500 00	
Advertising	24 50	
Printing and stationery	21 50	
Postage, etc.	4 41	
Legal expenses	316 69	
Fire department, patrol and salvage corps taxes and fees	213 03	
State taxes on premiums	3,428 66	
Insurance department licenses and fees	1,544 00	
Federal corporation tax	285 09	
War tax on premiums	1,036 72	
Management expense	21,261 65	
Miscellaneous expense	83 83	
Auditing	150 00	
Total disbursements	622,236 01	
Balance	\$1,027,286 05	

FINANCIAL CONDITION

Ledger Assets

Book value of bonds	\$645,590 84	
Cash in bank	10,629 11	
Cash in bank, trustee account	292,454 02	
Balances due from ceding companies, representing business written subsequent to September 30, 1917	75,186 23	
Reserve on Canadian business held by ceding company	3,425 85	
Total ledger assets	\$1,027,286 05	

Non-Ledger Assets

Interest accrued on bonds	7,892 47	
Gross assets	\$1,035,178 52	

Deduct Assets Not Admitted

Book value of bonds over market value	\$5,100 84	
Reserve on Canadian business held by ceding company, representing premiums written prior to October 1, 1917	2,279 27	
		7,380 11
Total admitted assets	\$1,027,798 41	

Liabilities

Unpaid losses	\$126,025 62
Unearned premiums:	
One year risks	\$320,512 49
Term risks	212,353 90
	532,866 39
Taxes accrued on premiums (estimated)	6,500 00
Unpaid management expense	9,472 53
Contingent commissions accrued (estimated)	5,000 00
Total liabilities except deposit capital	\$679,864 54
Deposit capital	\$200,000 00
Surplus	147,933 87
Surplus to policyholders	347,933 87
Total liabilities	<u><u>\$1,027,798 41</u></u>

CAPITAL CONDITION

Assets

Market value of bonds including accrued interest	\$648,382 47
Cash in bank, trustee account	292,454 02
Total assets in the United States, deposited with Insurance Departments and trustee	<u><u>\$940,836 49</u></u>

Liabilities

Unpaid losses	\$126,025 62
Unearned premiums	532,866 39
Taxes accrued on premiums	6,500 00
Unpaid management expense	9,472 53
Contingent commission	5,000 00
Total liabilities in the United States	\$679,864 54
Capital under section 27 of the Insurance Law	260,971 95
Total (being the gross assets reported above)	<u><u>\$940,836 49</u></u>

ANNUAL STATEMENT

In its annual statement filed with the department for the year ending December 31, 1917, the company reported a surplus of \$146,185.67, which as the result of this examination has been increased to \$147,933.87, an increase of \$1,748.20. The following schedule shows the details of such increase.

Decrease in liabilities:

Taxes accrued	\$3,500 00
Unpaid management expense	527 47

Total decrease in liabilities.....	\$4,027 47
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Decrease in assets:

Canadian reserve held by ceding company, representing premiums more than three months due.....	2,279 27
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Net decrease in liabilities (increase in surplus).....	\$1,748 20
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Surplus reported by company.....	146,185 67
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Surplus set forth in this report.....	\$147,933 87
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As the result of the decrease in liabilities appearing above, the capital reported by the company under capital statement requirements has been increased from \$256,944.48 as reported by the company, to \$260,971.95.

STATUTORY DEPOSITS

The company has on deposit in the States named below the following bonds for the protection of its policyholders in the United States:

<i>State</i>	<i>Description</i>	<i>Par Value</i>	<i>Market Value</i>
New York.....	City of New York, N. Y., 4½s, 1960.....	\$200,000	\$200,000
Ohio.....	City of Cleveland, O., 4½s, 1945.....	100,000	106,000
		\$300,000	\$306,000

REMITTANCES TO AND FROM HOME OFFICE

In 1913 the company remitted \$30,000 to its home office and \$22,500 in 1914, since which time to the date of this examination no funds were remitted to the home office. From January 1, 1913, to December 31, 1917, no remittances were received by the United States Branch of the company from its home office.

General Remarks

The Warsaw Fire Insurance Company of Warsaw, Russia, was organized on May 1, 1870, under the laws of the Russian Empire, and was on September 9, 1911, authorized to transact the business

of fire insurance in this State. The company is also authorized in the States of Arkansas, Colorado, Illinois, Indiana, Iowa, Louisiana, Maine, Massachusetts, Michigan, Mississippi, Montana, Nevada, New Hampshire, New Jersey, North Carolina, Ohio, Pennsylvania, Texas and West Virginia. Although the company is only authorized in the above named States, reinsurances are made on risks no matter where located.

The United States Branch of the company confines itself to the transaction of a reinsurance business. The net premium income for the year 1917 of approximately \$840,000 is nearly \$400,000 in excess of the net premium income of the previous year.

Fester & Folsom, Inc., is the United States Manager of the company and the Bankers Trust Company of New York is its United State trustee.

WESTCHESTER FIRE INSURANCE COMPANY

NEW YORK CITY

Examined on increase of capital from \$500,000 to \$1,000,000.

Report dated December 11, 1917.

Examiner: Isaac Fuld.

Marine Insurance Companies

[241]

AMERICAN MERCHANT MARINE INSURANCE COMPANY

NEW YORK CITY

Examined to ascertain condition March 31, 1917.

Report dated May 2, 1917.

Examiner: Charles H. Gardner.

Income

March 1, 1916 to March 31, 1917

Gross premiums	\$944, 046 66	
Less reinsurance premiums....	\$315, 285 92	
Less return premiums.....	38, 885 52	
		354, 171 44
Net premiums		\$589, 875 22
Interest on bonds and dividends on stocks....	\$9, 010 72	
Interest on deposits in bank and trust com- panies	1, 916 63	
Interest on demand loan.....	444 45	
		11, 371 80
Profit on sale of stocks.....		10, 113 00
Total income		\$611, 360 02
Ledger assets March 1, 1916.....		300, 000 00
Total		\$911, 360 02

Disbursements

March 1, 1916 to March 31, 1917

Gross losses paid	\$283, 730 63	
Less reinsurance	\$110, 490 20	
Less salvage	114 00	
		110, 604 20
Net amount paid for losses.....		\$173, 126 43
Expenses of adjustment and settlement.....		25 08
Commissions or brokerage.....		91, 255 88
Salaries		5, 634 66
Advertising, printing and stationery.....		1, 398 65
Legal expenses		117 40
Furniture and fixtures		414 25
Inspections and surveys.....		65 00
Insurance Department licenses and fees.....		41 68
United States internal revenue tax.....		705 51

Auditing	232 27
Miscellaneous expenses	113 98

Total disbursements	\$273, 130 79
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Balance	\$638, 229 23
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Assets

Book value of bonds.....	\$258, 127 20	
Book value of stocks	66, 037 50	
Cash in bank		\$324, 164 70
Agents' balances within ninety days.....		222, 704 66
Agents' balances over ninety days due.....		39, 649 35
Reinsurance due on paid losses.....		50, 806 53
Ledger assets		903 99

Ledger assets	\$638, 229 23
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Non-Ledger Assets

Interest accrued on bonds.....	4, 450 00
Gross assets	\$642, 679 23

Deduct Assets Not Admitted

Agents' balances over 90 days due.....	\$50, 806 53	
Book value of securities over market value....	770 20	
Certificate of stock not in name of company..	40, 537 50	
		92, 114 23

Total admitted assets	\$550, 565 00
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Liabilities

Gross unpaid losses	\$310, 972 77	
Deduct reinsurance	21, 050 00	
Net amount of unpaid losses.....		\$289, 922 77
Unearned premiums time risks.....	\$116, 300 33	
Unearned premiums trip risks.....	33, 702 89	
Total unearned premiums		150, 003 22
Expenses, etc., bills due and accrued.....		329 20
State tax on premiums (estimated)		10, 000 00

Total amount of all liabilities except capital.....	\$450, 255 19
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Capital	\$200, 000 00
Impairment of capital	99, 690 19

Surplus to policyholders.....	100, 309 81
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Total	\$550, 565 00
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The American Merchants Marine Insurance Company was authorized to transact the business of marine insurance on March 1, 1916. The company was incorporated in this State with a capital of \$200,000, and a surplus of \$100,000. The capital stock consists of two thousand shares of a par value of \$100 each. The stock was disposed of at the rate of \$150 per share, so as to provide for a surplus of \$100,000. From an examination of the stock certificate book, it was found that certificates representing two thousand shares of stock had been properly issued.

The several income and disbursement items entering into the foregoing financial statement were compiled from the company's books. The accounting system was found to be satisfactory and, therefore, no difficulty arose in the assembling of the various accounts to conform with the requirements of the statement blank. The assets and liability items reported above were carefully examined and the amounts comprising such items were found to be correctly recorded by the company.

The cash amounting to \$222,704.66 was verified from the company's books and from a certificate obtained from the bank. The securities owned by the company comprise both bonds and stocks, and represent a par value of \$316,000 and a market value of \$320,100 on date of this examination. These securities were personally examined and counted and found to agree with the company's investment account on the ledger.

Impairment of Capital

As a result of this examination, the financial condition of the company as above set forth shows a surplus to policyholders of only \$100,309.81. As the authorized capital of the company is the sum of \$200,000, this report shows an impairment of said capital in the sum of \$99,690.19.

The impaired financial condition of the company is largely due to the existence of a reinsurance contract with a company not authorized to transact ocean marine business in this State. No credit could be allowed for such reinsurance in either the outstanding loss account or in the unearned premium reserve. Therefore, the amounts charged by the company as a liability to provide sufficient reserves were considerably increased in this report

and accounted approximately for \$60,000 of the above impairment. The balance, or about \$40,000, is due to the fact that certificates of stock of a par value of \$31,000 and a book value of \$40,537.50, although purchased by the company are not registered in the company's name. One certificate is in the name of an individual, the other in the name of a firm, but to facilitate the sale thereof, both certificates are endorsed in blank. It would seem, however, that this condition is not in accord with the usual or proper form by which corporations hold certificates of stock. The book value of this stock has been considered in this report under the head of "Assets not admitted," amounting to \$40,537.50. The management has already ordered these certificates registered in the company's name. When the transfer has been completed, the impairment will be reduced in a corresponding amount.

AMERICAN MERCHANT MARINE INSURANCE COMPANY

NEW YORK CITY

Examined to ascertain condition May 31, 1917.

Report dated July 27, 1917.

Examiner: Charles H. Gardner.

Income

January 1 to May 31, 1917

Gross premiums		\$554,848 34
Deduct reinsurance	\$187,060 81	
return premiums	30,938 87	
		217,999 68
Net premiums		\$336,848 66
Interest on bonds and dividends on stocks.....		8,137 50
Total income		\$344,986 16
Ledger assets December 31, 1916.....		566,314 32
Total		\$911,300 48

Disbursements

Gross losses		\$299,718 17
Deduct reinsurance	\$135,853 87	
salvage	100 00	
		<u>135,953 87</u>

Net amount paid for losses.....	\$163,764 30
Adjustment expenses	8 78
Commissions and brokerage	52,231 45
Salaries	2,862 33
Advertising, printing and stationery	385 66
Legal expenses	175 00
Furniture and fixtures	100 75
Inspections and surveys	25 55
Fire department and patrol assessments.....	10 83
Postage, telegrams and telephone.....	10 92
Traveling	13 70
Auditing	50 00
Exchange	1 83
Capital stock tax	68 09
Directors' fees	170 00
Miscellaneous	76 24

Total disbursements	<u>\$219,955 43</u>
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Balance	<u><u>\$691,345 05</u></u>
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Ledger Assets

Book value of bonds.....	\$258,127 20
Book value of stocks.....	66,037 50
	<u>\$324,164 70</u>
Cash in bank	219,239 37
Agents' balances, within 90 days.....	75,448 51
Agents' balances, over 90 days.....	52,975 41
Reinsurance due on paid losses.....	19,517 06

Total	<u><u>\$691,345 05</u></u>
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Non-Ledger Assets

Accrued interest on bonds.....	\$2,016 67
Accrued interest on bank balances.....	1,377 50
	<u>3,394 17</u>
	<u>\$694,739 22</u>

Deduct Assets Not Admitted

Book value of bonds and stocks over market value	\$11,664 70
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Agents' balances over 90 days.....	52,975 41	
Reinsurance from non-admitted companies.....	19,517 06	
		<u>84,157 17</u>
Total admitted assets		<u>\$610,582 05</u>
<i>Liabilities</i>		
Gross losses	\$306,782 71	
Less reinsurance	26,110 13	
		<u>Net amount unpaid losses and claims.....</u>
		\$280,672 58
Unearned premiums:		
Time risks	\$91,137 84	
Trip risks	18,640 06	
		<u>Total unearned premiums</u>
		\$109,777 90
State taxes on premiums		11,056 79
Federal income tax		3,008 08
Contingent commissions		792 37
Unpaid bills		52 24
		<u>Total liabilities except capital and surplus.....</u>
		\$405,359 96
Capital	\$200,000 00	
Surplus	5,222 09	
		<u>Surplus to policyholders.....</u>
		205,222 09
Total liabilities		<u>\$610,582 05</u>

The foregoing financial statement shows the company to be possessed of a surplus above its capital and other liabilities of \$5,222.09. The surplus to policyholders of \$205,222.09 includes the capital of \$200,000.

This examination disclosed the fact that the company made good a large part of its impairment by the cancellation on May 9, 1917, of a reinsurance contract with a company not admitted to transact marine insurance in this State, and on said date the execution of a contract of reinsurance with a company authorized to transact marine insurance in this State. Under the terms of the new contract all policies in force on May 9, 1917 were reinsured in the same proportion as formerly for the unexpired terms thereof. This action on the part of the company permitted credit to be taken for such reinsurance in its unearned premium fund,

but no credit could be allowed for such reinsurance as a deduction in the amount charged for unpaid losses accruing under the previous contract of reinsurance. The balance of the impairment was provided for by having the certificates of stock representing a book value of \$40,557.50 referred to in the report of May 2, 1917, registered in the name of the company.

In connection with the above exhibit of the company's financial condition it would seem proper to state that the unpaid loss account showed reinsurance recoverable in the sum of \$136,544.38 from unadmitted companies. Partly to offset such sum the company's books show a balance of \$90,680.59 for reinsurance premiums due said companies. If the balance of account had been considered, there would have been an increase in the company's surplus of \$90,680.59 or a total of \$95,902.68 on date of this examination.

LIBERTY MARINE INSURANCE COMPANY

New York City

Examined on organization.

Report dated September 4, 1917.

Examiner: John H. Kirker.

Organization

The company's organization records show that the authorized capital stock is \$250,000 divided into twenty-five hundred shares of the par value of \$100 each with an additional \$250,000 as surplus.

An examination of the stock ledger and stock certificate book indicates that twenty-five hundred shares of stock have been issued. A list of such stockholders is attached to this report.

On July 24, 1917, a check drawn by Christoffer Hannevig, Incorporated, for the sum of five hundred thousand (\$500,000) dollars was deposited in the Equitable Trust Company of New York to the credit of the Liberty Marine Insurance Company.

Assets

The assets possessed by the company on August 31, 1917, as shown in Exhibit "B," which is attached hereto, were in the form of cash amounting to the sum of \$99,678.96 and a certificate of deposit for \$100,000, as evidenced by the attached bank certificate; Liberty Loan interim certificates of a par value of \$250,000 and stamped acceptances of the Equitable Trust Company of a face value of \$50,000, as indicated by the attached letter from said trust company under date of August 31, 1917.

Interest

The following described acceptances of the Equitable Trust Company which had been purchased by the company were due and paid prior to the date of this examination and yielded an interest income of \$176.71: De Rothschild Frere, \$25,000, due August 9, 1917; Childs, Parr & Joseph, \$50,231.25, due August 27, 1917.

From my examination, as indicated by the foregoing, I hereby certify that the sum of \$500,000 has been paid in to the credit of the Liberty Marine Insurance Company on or before the date of this certificate and that said sum with interest earnings of \$176.71 was on date of August 31, 1917, possessed by said company and I further certify that certificates of stock for the entire capital of the company apparently have been issued to the various persons whose names appear in the stock certificate book and stock ledger and as declared by the affidavit of the officers of the company.

THE LIVERPOOL AND LONDON AND GLOBE
INSURANCE COMPANY, LIMITED —
UNITED STATES BRANCH

LIVERPOOL, ENGLAND

Examined to ascertain condition March 31, 1918.

Report dated June 17, 1918.

Examiner: Charles H. Gardner.

Income

January 1, 1917 to March 31, 1918

Gross premiums	\$532,647 34	
Deduct:		
Reinsurance premiums	\$264,377 27	
Return premiums	24,963 74	
		289,341 01
Net premiums		\$243,306 33
Interest on bonds, etc.....		11,149 08
Miscellaneous income		359 06
Received from home office.....		71,341 77
Total income		\$326,156 24
Ledger assets December 31, 1916.....		344,603 75
Total		\$670,759 99

Disbursements

January 1, 1917 to March 31, 1918

Gross losses paid	\$202,214 60	
Deduct:		
Salvage	\$27,038 70	
Reinsurance	85,960 00	
		112,998 70
Net amount paid for losses.....		\$89,215 90
Commissions or brokerage.....		24,413 21
Allowances to agencies		498 32
Salaries		6,958 37
Rent		573 94
Advertising, printing and stationery.....		1,607 58
Postage, telegrams and telephones.....		861 28
Underwriters boards		382 14
Inspections and surveys		92 80
State tax on premiums		6,976 31
Federal tax		224 95
Licenses and fees		137 82
Suppers		189 24
Traveling		268 16
Miscellaneous expenses		627 78
Remitted to home office.....		185,341 77
Decrease in book value of bonds.....		239 13
Total disbursements		\$318,808 70
Balance ledger assets March 31, 1918.....		\$351,951 29

<i>Assets</i>	
Book value of bonds	\$204,782 62
Cash in banks	84,374 28
Agents' balances due within 90 days.....	42,513 12
Agents' balances due over 90 days.....	14,737 65
Reinsurance due on paid losses.....	5,543 62
Total ledger assets	<u>\$351,951 29</u>
<i>Non-Ledger Assets</i>	
Interest accrued on bonds.....	1,500 00
Gross assets	<u>\$353,451 29</u>
<i>Deduct Assets Not Admitted</i>	
Agents' balances due over 90 days.....	\$14,737 65
Book value of bonds over market.....	22,782 62
Reinsurance due on paid losses (unauthorized)	68 70
	<u>37,588 97</u>
Total admitted assets	<u><u>\$315,862 32</u></u>
<i>Liabilities</i>	
Unpaid losses	\$59,238 54
Unearned premiums:	
Time risks	24,300 63
Trip risks	4,740 07
State tax on premiums (estimated).....	1,000 00
Federal tax	2,471 09
Reinsurance premiums due	69,478 90
Total liabilities	<u>\$161,229 23</u>
Statutory deposit	\$200,000 00
Impairment	45,366 91
	<u>154,633 09</u>
Total	<u><u>\$315,862 32</u></u>

A report on examination of the company's marine department, dated November 20, 1916, on file with this department shows the financial condition as of June 30, 1916.

The above mentioned report contains such information regarding its affairs and business operations as is necessary to have on record and, therefore, any reference thereto is omitted from this report.

On referring to the above mentioned report, it will be noted that at such time the Marine Department's capital or statutory deposit was impaired in the sum of \$32,261.71. Such impairment was due to the disallowance of cash in bank — trustees' account, amounting to \$35,000, which sum was finally allowed and the company was thereby enabled to report a small surplus of approximately \$3,000.

As a result of this examination the financial condition of the Marine Department was found to be unsatisfactory.

The minimum capital of \$200,000 required by statute is again impaired in the sum of \$45,366.91 and is due to large remittances in cash to the home office during the period covering this examination. These remittances have been made contrary to the Insurance Department's request made to all United States branches of foreign companies that no funds be remitted without first obtaining the approval of the Superintendent of Insurance. The actual cash disbursed from this account amounted to \$114,000. Of this amount \$25,000 represents a remittance by the San Francisco office.

The securities deposited by the marine department consist of bonds of the State of New York valued in this report at \$182,000, being in accordance with actual market conditions on date of the examination. The market value, therefore, is \$18,000 less than the minimum amount to be maintained as called for under the provisions of section 13 of the insurance law.

The impairment referred to above, amounting to \$45,366.91, has been made good by a subsequent transfer of \$50,000 in cash from the company's fire department to its marine department.

NORSKE LLOYD INSURANCE COMPANY, LIMITED—
UNITED STATES BRANCH

CHRISTIANIA, NORWAY

Examined to ascertain condition September 30, 1917.

Report dated December 28, 1917.

Examiner: Charles H. Gardner.

Income

Gross premiums	\$4, 428, 724 27
Deduct reinsurance premiums.....	\$63, 330 02
Deduct return premiums	202, 345 03
	265, 675 05
Net premiums	\$4, 163, 049 22
Interest on bonds	14, 874 68
Interest on bank balances	5, 901 84
Total income	\$4, 183, 825 74
Ledger assets December 31, 1916.....	1, 182, 538 75
Total	\$5, 366, 364 49

Disbursements

Gross losses paid.....	\$1, 670, 056 95
Deduct salvage	\$516 99
Deduct reinsurance	24, 713 01
	25, 230 00
Net losses paid	\$1, 644, 826 95
Brokerage and commission.....	788, 227 29
Advertising, printing and stationery.....	3, 495 02
Postage, telegrams, telephone and express.....	120 15
Legal expenses	250 00
Underwriters' boards and tariff associations.....	101 68
Inspections and surveys.....	29 07
State taxes on premiums.....	34, 317 18
Insurance Department licenses and fees.....	129 00
Emergency revenue tax	8 22
Federal corporation tax	83 25
New Orleans agency tax	150 00
Auditing expenses	752 50
Exchange	42 75
Remittance to home office (losses paid on old account).....	44, 732 75
Total disbursements	\$2, 517, 265 81

Balance, ledger assets September 30, 1917.....	\$2, 849, 098 68
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Ledger Assets

Book value of bonds	\$1, 047, 899 54
Cash in office	103, 750 32
Cash in bank	590, 944 63
Agents' balances less than three months due.....	991, 353 77
Agents' balances more than three months due.....	110, 150 42
Reinsurance recoverable on paid losses.....	5, 000 00
Total ledger assets	\$2, 849, 098 68

Non-Ledger Assets

Interest accrued on bonds	\$13,753 95
Interest accrued on bank balances.....	4,269 64
Gross assets	\$2,867,122 27

Deduct Assets Not Admitted

Book value of bonds over market value.....	\$22,699 54	
Agents' balances more than three months due	110,150 42	
Reinsurance recoverable on paid losses from unauthorized companies	2,330 25	
		135,180 21
Total admitted assets	\$2,731,942 06	

Liabilities

Net unpaid losses	\$997,945 65	
Net unpaid losses (old account).....	3,539 03	
Total net unpaid losses.....	\$1,001,484 68	
Unearned premium reserve:		
Time risks	\$467,201 62	
Trip risks	170,899 65	
Total	638,101 27	
State tax accrued on premiums (estimated).....	104,076 25	
Internal revenue income tax due.....	10,432 09	
Internal revenue income tax accrued (estimated).....	62,426 10	
Sundry unpaid bills.....	773 52	
Total liabilities	\$1,817,293 91	
Statutory deposit	\$200,000 00	
Surplus	714,648 15	
Surplus to policyholders.....	914,648 15	
Total	\$2,731,942 06	

The Norske Lloyds Insurance Company, Ltd., of Christiania, Norway, was authorized to transact the business of marine insurance in this State January 20, 1916, under the management of Whist & Company, Inc., Robert Van Iderstine, president, with offices located at 3 South William street, New York.

The company is associated with the United States branches of the Western Assurance Company of Toronto, Canada, the Yang Tsze Insurance Association, Ltd., of Shanghai, China, and the

marine departments of the Lloyds Associations, known as the New York Fire and Marine Underwriters and the Norwegian Underwriters. Whist & Company act as general agents for the above named associate companies for marine insurance only, said companies occupying the same office and employing the same clerical staff. In some respects, particularly the manner of keeping the outstanding loss accounts for the several companies, the management maintains a system for convenience in their inter company transactions rather than for the purpose of readily determining this liability for statement purposes. The system does not meet the requirements of the department for the purpose of an examination as is indicated by the liability item for outstanding claims as set forth in this report amounting to \$1,001,484.68, being an increase of approximately \$222,000 in the amount of the company's charge on September 30, 1917.

As a result of this examination, the marine department of the company was found to have a surplus over all liabilities in the sum of \$714,648.15, said sum being in addition to its capital deposit of \$200,000 or a total surplus to policyholders of \$914,648.15.

The surplus over all liabilities of \$714,648.15 as set forth in the foregoing financial statement is approximately \$454,000 less than the amount reported by the company in its quarterly statement submitted to the department on September 30, 1917.

The marine department possessed securities of a par value of \$1,050,000 on September 30, 1917. Of this amount \$200,000 par value is held by this department in trust for the benefit of its policyholders in the United States. The securities representing such deposit were verified from the Department records. The larger part of the company's holdings, or \$950,000 par value, is held by the Guaranty Trust Company of New York, a depository for such securities. These securities were personally examined and counted and found to agree with the company's investment records. The market value of the deposit securities held by the department on date of this examination was the sum of \$197,500 or \$2,500 less than the minimum deposit required by law. The market value of all securities on September 30, 1917, as determined by the audit bureau was the sum of \$1,025,200, being

\$2,346 less than the value reported by the company in its quarterly statement.

Under the head of Assets Not Admitted in the above financial statement, agents' balances more than three months due have been entered at \$110,150.42. Said sum represents what is believed to be a conservative estimate of 10 per cent based on the net outstanding premiums. It was impossible to arrive at a definite figure for this unadmitted asset, as the account showed a large amount of unapplied cash not distributed over the various items on the date of this examination. The company has not taken a trial balance of its agency ledgers for several months, claiming that it cannot obtain experienced help at this time to properly conduct its affairs and that the present conditions regarding these balances is unavoidable.

The unearned premium reserve was increased in this report \$40,454.12, and such increase was due to the fact that larger fractions than those called for by the statement blank were used to provide for the increased premium income.

A charge of \$10,432.09 was made, representing the United States internal revenue income tax on the business of 1916 not paid on date of this examination. An estimate of \$62,426.10 was considered in this report to provide for such tax accruing on date of this examination. The figures as estimated above include the transactions of both the marine and fire departments as it is necessary to prepare a combined statement for government taxation purposes. The marine department tax was found to be approximately \$75,000, but the combined tax of both departments was reduced owing to the fact that the fire branch reported on September 30, 1917, a large net addition to its premium reserve fund.

As previously stated, the surplus over all liabilities of the marine department was found to be the sum of \$714,648.15. It is necessary, however, in connection with this report, to take into account that on November 21, 1917, the marine department transferred to the fire department the sum of \$500,000 in cash. The transfer of such a large sum naturally affects the resources of the marine department, and has the effect of reducing in a cor-

responding amount the surplus as reported in the foregoing financial statement.

THE NORTH BRITISH AND MERCANTILE INSURANCE COMPANY—UNITED STATES BRANCH

LONDON, ENGLAND

Examined to ascertain condition March 31, 1918.

Report dated May 2, 1918.

Examiner: Charles H. Gardner.

Income

January 1, 1917 to March 31, 1918

Gross premiums	\$229,995 27
Less reinsurance premiums \$100,139 90	
Less return premiums..... 11,659 12	
	111,799 02
Net premiums	\$118,196 25
Interest on bonds	8,433 33
Interest on bank deposits.....	1,778 07
Exchange	104 92
Total income	\$128,512 57
Ledger assets December 31, 1916.....	326,578 15
Total	\$455,090 72

Disbursements

January 1, 1917 to March 31, 1918

Gross losses	\$94,760 50
Less reinsurance	\$28,320 81
Less salvage	1,686 18
	30,006 99
Net amount paid for losses.....	\$64,753 51
Commissions and brokerage.....	11,968 52
Salaries	5,009 59
Rents	1,157 76
Printing and stationery	551 26
Legal expenses	19 98
Furniture and fixtures	41 25
State taxes on premiums	4,484 31

Federal premium tax	113 73
Miscellaneous expense	370 18
Transferred to fire department	7,000 00
Remitted to home office	51 94
Agents' balances charged off.....	2 92

Total disbursements	\$95,524 95
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Balance ledger assets March 31, 1918.....	\$359,565 77
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Ledger Assets

Book value of bonds	\$272,730 26
Cash in bank on interest.....	70,523 89
Agents' balances representing business written subsequent to December 31, 1917.....	10,053 15
Agents' balances representing business written prior to Janu- ary 1, 1918	3,961 96
Reinsurance recoverable on paid losses.....	2,296 51

Total ledger assets	\$359,565 77
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Non-Ledger Assets

Interest accrued on bonds.....	3,163 89
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Gross assets	\$362,729 66
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Deduct Assets Not Admitted

Book value of bonds over market value.....	\$43,471 92
Agents' balances representing business written prior to January 1, 1918.....	3,961 96
	47,433 88

Total admitted assets	\$315,295 78
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Liabilities

Gross unpaid losses.....	\$38,801 15
Deduct reinsurance	17,295 49
Net unpaid losses	\$21,505 66
Unearned premiums, trip risks.....	5,058 08
State taxes on premiums estimated	1,100 00
Federal income tax estimated.....	3,000 00

Total liabilities except statutory deposit.....	\$30,663 74
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Statutory deposit	\$200,000 00
Surplus	84,632 04

Surplus to policyholders.....	284,632 04
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Total	\$315,295 78
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The North British and Mercantile Insurance Company of London, England, and Edinburgh, Scotland, was authorized to write ocean marine insurance in New York State on May 24, 1916. A deposit of \$200,000 was made by the company for the benefit of its policyholders in the United States in addition to its statutory deposit for the transaction of fire insurance as required under the provisions of section 28 of the Insurance Law.

The securities representing such deposit consist of New York city bonds of a par value of \$200,000 and a market value of \$180,000. The market value of these securities on date of this examination has declined in the sum of \$20,000 below the minimum amount required (\$200,000). Section 13 of the Insurance Law in reference to deposit securities reads in part as follows:

If the market value of any of the securities which have been deposited by any company shall decline below that at which they were deposited, the Superintendent of Insurance shall call upon the company to make a further deposit so that the market value of all securities deposited by any such company shall be equal to the amount which it is required to deposit.

The foregoing financial statement covers the transactions of the company over a period of fifteen months and all items entering therein were readily compiled from the company's books and other records.

As a result of the examination, the marine department of the company was found to have a surplus of \$84,632.04 over all liabilities. The surplus to policyholders, which sum includes the statutory deposit of \$200,000, is the sum of \$284,632.04.

NORWICH UNION FIRE INSURANCE SOCIETY,
LIMITED — UNITED STATES BRANCH

NORWICH, ENGLAND

Examined to ascertain condition. March 31, 1918.

Report dated May 27, 1918.

Examiner: Charles H. Gardner.

Income

September 1, 1917 to March 31, 1918

Gross premiums \$377,492 05

Deduct:

Reinsurance premiums \$31,763 55

Return premiums 1,319 71

33,083 26

Total net premiums \$344,408 79

Interest on bank deposit..... 74 62

Securities received from home office..... 211,272 78

Cash received from home office..... 11,558 26

Total income \$567,314 45

Disbursements

September 1, 1917, to March 31, 1918

Gross amount paid for losses..... \$21,062 06

Deduct:

Salvage \$5,380 45

Reinsurance 2,305 33

7,685 78

Net amount paid for losses..... \$13,376 28

Commissions or brokerage 43,047 68

Agents' allowances 461 34

Salaries 9,835 30

Rent 878 01

Advertising, printing and stationery..... 1,337 87

Postage, telegrams and telephone..... 1,312 26

Underwriters' boards 412 84

Inspections and surveys 64 80

Licenses and fees 26 00

State and federal taxes..... 3,068 39

Traveling 355 03

Suppers 165 64

Miscellaneous expenses 770 89

Remittance to home office..... 134,465 63

Total disbursements \$209,577 96

Balance — Ledger assets March 31, 1918..... \$357,736 49

Ledger Assets

Book value of bonds \$211,272 78

Cash in trust company..... 99,167 67

Reinsurance due on paid losses.....	1, 809 65
Agents' balances due within ninety days.....	45, 236 24
Agents' balances due over ninety days.....	250 15

Total ledger assets	\$357, 736 49
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Non-Ledger Assets

Interest accrued on bank balances.....	600 00
Interest accrued on bonds.....	3, 333 33

Gross Assets	\$361, 669 82
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Deduct Assets Not Admitted

Agents' balances due over ninety days.....	\$250 15
Book value of bonds over market value.....	18, 272 78
	18, 522 93

Total admitted assets	\$343, 146 89
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Liabilities

Unpaid losses	\$77, 088 56
Unearned premium fund:	
Time risks	20, 698 77
Trip risks	47, 154 26
State tax on premiums due and accrued.....	6, 052 00
Federal income tax	5, 000 00
Home office liabilities to be settled by United States Branch..	101, 642 07

Total liabilities	\$257, 635 66
Statutory deposit	\$200, 000 00
Impairment	114, 488 77
	85, 511 23

Total	\$343, 146 89
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The Norwich Union Fire Insurance Society, Limited, of Norwich, England, was authorized March 20, 1879, to transact the business of fire insurance in this State. On June 24, 1913, the society made an additional deposit with this Department of securities of a par and a market value of not less than \$200,000 in accordance with the provisions of section 28 of the Insurance Law, and on said date permission was granted to write ocean marine business in this State under the management of J. Montgomery Hare and William Hare. The society did not, however, actively engage in the business of ocean marine insurance until

September 1, 1917, when the marine department was placed under the control of H. K. Fowler as manager, with offices located at 29 William street, New York city. H. K. Fowler and F. H. Cauty, manager and assistant manager respectively, hold a power of attorney direct from the home office. The conditions set forth in such document grant full power and authority to the manager or assistant manager to act for and conduct the affairs of the marine department in the United States. The instrument was dated the 29th day of October, 1917, at Norwich, England, and was signed by two of the directors and the general manager and secretary of the society.

The securities deposited by the marine department consist of bonds of the city of New York valued in this report at \$193,000, being in accordance with actual market conditions on date of the examination. The market value, therefore, is \$7,000 less than the minimum amount to be maintained as called for under the provisions of section 13 of the Insurance Law.

The cash assets are on deposit with the Union Trust Company of New York; two accounts are kept, one in the name of the manager and the other to the credit of the United States trustees in trust for the Norwich Union Fire Insurance Society, Limited, of Norwich, England. The trustees are: Dallas B. Pratt, W. Emlen Roosevelt and J. Frederick Kernochan of New York, who are acting also as United States trustees for the fire department. It would appear from correspondence received from the home office in regard to the trustees' account, that these funds are intended solely for the marine department, inasmuch as no withdrawal can be made by the trustees without the signature of either Manager Fowler or Assistant Manager Cauty.

The foregoing financial statement covers all transactions incident to the present management, that is, from September 1, 1917, to March 31, 1918, a period of seven months. The financial condition of the marine department as a result of this examination shows an impairment of \$114,488.77 in its capital or statutory deposit, leaving a balance of only \$85,511.23 as a surplus to policyholders.

The impairment is due to the fact that the home office takes advantage of the American market to reinsure a large volume of

its foreign business — principally cotton risks, and calls upon the United States branch (marine department), to liquidate the indebtedness resulting therefrom without a corresponding remittance to provide for such payments. For the period covering this report the payments on this account have amounted to approximately \$130,000. It is evident that the resources of the marine department will not allow such an arrangement to continue. Further, the effect of this arrangement permits, indirectly, large remittances to the home office contrary to the insurance department's request made to all United States branches of foreign companies that no funds be remitted without first obtaining the approval of the Superintendent of Insurance.

The impairment shown in this report was subsequently made good by a deposit of additional cash funds with United States trustees subject to the control of the manager of the company's marine branch in the United States.

SCANDINAVIAN AMERICAN ASSURANCE CORPORATION, LIMITED — UNITED STATES BRANCH

CHRISTIANIA, NORWAY

Examined to ascertain condition September 30, 1917.

Report dated January 3, 1918.

Examiner: John H. Kirker.

History and Organization

This company was organized under the laws of the Kingdom of Norway on June 17, 1916. On October 30, 1916, it was admitted to transact in this State the business of ocean marine insurance as provided for in Article IV of the Insurance Law. O. G. Orr & Company, Inc., of 37 Wall street, New York city, are the accredited United States branch representatives.

Financial Statement

The financial condition of the company at the close of business on September 30, 1917, was found to have been as follows:

Ledger Assets

Book value of bonds.....	\$208,250 00
Cash in bank	449,008 21
Combination expense fund in hands of manager.....	4,000 00
Agents' balances less than three months due.....	142,432 52
Agents' balances more than three months due.....	61,148 29
Total ledger assets	<u>\$864,839 02</u>

Non-Ledger Assets

Interest accrued on bonds.....	708 33
Interest due on bonds.....	8,500 00
Gross assets	<u>\$874,047 35</u>

Deduct Assets Not Admitted

Agents' balances more than three months due.	\$61,148 29	
Book value of bonds over market value.....	10,250 00	
		<u>71,398 29</u>
Total admitted assets		<u><u>\$802,649 06</u></u>

Liabilities

Net unpaid losses	\$142,230 92
Unearned premium reserve:	
Time risks	\$134,127 91
Trip risks	33,427 93
	<u>167,555 84</u>
State taxes accrued on premiums (estimated).....	18,948 48
Internal revenue corporation tax accrued (estimated).....	20,609 46
Total liabilities except deposit capital.....	<u>\$349,344 70</u>
Deposit capital	\$200,000 00
Surplus over all liabilities	253,304 36
Surplus as regards policyholders.....	<u>453,304 36</u>
Total liabilities and deposit capital.....	<u><u>\$802,649 06</u></u>

The income and disbursements for the nine months ended September 30, 1917, are shown hereunder.

Income

Gross premiums	\$785,990 50
Less reinsurance premiums	\$56,875 90
Less return premiums	28,050 89
	<u>84,926 79</u>
Net premiums	<u><u>\$701,063 71</u></u>

Interest on deposits	3,876 89
Taxes collected from reinsuring companies.....	643 33
Total income	\$705,583 93
Ledger assets December 31, 1916.....	350,484 79
Total	\$1,056,068 72

Disbursements

Gross losses paid	\$36,092 73
Less reinsurance	10 37
Net losses paid	\$36,082 36
Commission or brokerage	140,600 14
Allowances to agents	848 28
Advertising, printing and stationery.....	6,498 72
Postage, telegrams, telephone and express.....	1,159 03
Legal expenses	530 75
Assessments and subscriptions	1,912 81
Inspections and surveys	521 77
State taxes on premiums	392 08
Licenses, fees and taxes	362 73
Remittance to home office.....	300 00
Interest and discount	80 97
Traveling expenses	432 31
Exchange	54 42
Auditing fees	816 07
Miscellaneous expenses	636 66
Total disbursements	\$191,229 70
Balance ledger assets September 30, 1917.....	\$864,839 02

Bonds

The securities owned by the company consist of New York city corporate stock, 4 $\frac{1}{4}$'s, 1962, of a par value of \$200,000. These bonds are held by this Department and represent the deposit required by section 28 of the Insurance Law. Their market value, however, at date of this examination was \$2,000 less than the minimum statutory deposit of \$200,000.

Cash in Bank

The company had on deposit with the Guaranty Trust Company of New York on September 30, 1917, the sum of \$449,008.21.

This balance was verified from the company's records and reconciled with a certificate obtained from said banking institution.

Combination Expense Fund.

This item of \$4,000 represents a sum advanced by the company to its managers to defray current expenses. The fund is replenished at the beginning of each month by the amount of expenses paid by the managers during the previous month.

Agents' Balances

The amounts due for uncollected premiums were listed from the premium abstract records. Balances more than three months due were found to have been \$61,148.29 and this sum has been deducted under the caption of "assets not admitted."

Interest Due on Bonds

The interest due March 1, 1917, and September 1, 1917, on the New York city corporate stock which is on deposit with this Department was not collected by the company until October 31, 1917, for the reason that it had neglected to obtain from the Superintendent of Insurance until October, 1917, the necessary power of attorney authorizing the comptroller of the city of New York to pay the interest on said securities to the company. This interest amounted to the sum of \$8,500 and has been treated as a non-ledger asset in the foregoing financial statement.

Unpaid Losses

The reserve for this liability was established from the company's loss registers and other data. It includes losses incurred on or before September 30, 1917, and of which the company had no notice on that date. As this examination was made during the month of December, 1917, many losses outstanding and unpaid as of September 30th have been paid and in such cases the actual amount paid has been charged as a liability.

Unearned Premium Reserve

The unexpired time risks were determined from the premium register which shows the volume of such business written monthly.

On account of the increase in business written during 1917 and expiring in 1918, five-eighths of such business was considered unearned while only one-eighth was charged on the business expiring during the last three months of 1917. The unearned premium reserve on trip risks was based on the amount of trip premiums written during the month of September, 1917.

Accrued Taxes

The items of accrued taxes charged in the foregoing financial statement are estimates. However, they are believed to be adequate to cover future payments on such account, not including the excess profit tax levied by the Federal government. The amount of such tax cannot be determined until completion of the current year transactions, and as the method of applying the law is still in question, it was deemed best to merely make this reference without inclusion of a stated amount as a liability in the foregoing financial exhibit.

Trust Agreement

During the course of this examination it was ascertained that the company under date of August 18, 1916, had executed a voluntary trust agreement for the purpose of establishing a trust fund for the protection of all its policyholders in the United States. The provisions of this trust agreement were accepted by the Guaranty Trust Company of New York as United States trustee on December 14, 1917. The said trust agreement was submitted to and received by this Department on December 26, 1917.

Trustee Cash

The company had on deposit with the Guaranty Trust Company of New York on December 20, 1917, the sum of \$500,000, which sum is to be held by it as United States trustee subject to the terms of the trust agreement referred to above.

THE SEA INSURANCE COMPANY, LIMITED — UNITED STATES BRANCH

LIVERPOOL, ENGLAND

Examined to ascertain condition May 31, 1917.

Report dated August 8, 1917.

Examiner: Charles H. Gardner.

Income

January 1, 1917 to May 31, 1917

Gross premiums	\$4, 050, 463 76	
Less reinsurance	\$2, 617, 430 15	
Less return premiums	105, 100 07	
		2, 722, 530 22
Net premiums		\$1, 327, 933 54
Interest:		
On bonds	\$24, 307 50	
On deposits	2, 595 09	
		26, 902 59
Received from home office		273, 182 18
Total income	\$1, 628, 018 31	
Ledger assets December 31, 1916	2, 223, 178 88	
Total	\$3, 851, 197 19	

Disbursements

From January 1, 1917 to May 31, 1917

Gross losses	\$1, 775, 809 30	
Deduct reinsurance	\$1, 088, 122 51	
salvage	52, 618 61	
		1, 140, 741 12
Net amount paid for losses and claims		\$635, 068 18
Commissions and brokerage		350, 349 75
Taxes on premiums	\$45, 467 86	
Revenue tax	5 59	
Fire patrol	3 58	
Insurance department fees	608 96	
All other fees and licenses	290 59	
		46, 376 58
Telegrams and cables	2, 486 40	
Printing and stationery	954 30	

Tracings	939 71	
Inspections	1,447 86	
Exchange	2,923 95	
Miscellaneous expenses	2,647 77	
		11,399 99
Sundry assets charged off.....		430 63
Remitted to home office		329,625 56
Total disbursements		\$1,373,250 69
Balance, ledger assets May 31, 1917.....		\$2,477,946 50

Assets

Book value of bonds	\$1,164,242 25	
Deposited in banks	705,500 08	
Cash in office	5,667 16	
Agents' balances subsequent to February 28, 1917	\$29,540 09	
Agents' balances prior to March 1, 1917.....	182,810 02	
		212,350 11
Losses recoverable from authorized companies	\$162,024 28	
Losses recoverable from unauthorized com- panies	228,128 03	
		390,152 31
Bills receivable		34 59
Total ledger assets		\$2,477,946 50

Non-Ledger Assets

Accrued interest:

On bonds	\$7,441 17	
On bank balances	941 35	
		8,382 52

Gross assets	\$2,486,329 02
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Deduct Assets Not Admitted

Agents' balances prior to March 1, 1917.....	\$182,810 02	
Losses recoverable from unauthorized com- panies	228,128 03	
Bills receivable past due.....	34 59	
Book value of bonds over market value.....	41,950 25	
		452,922 89
Total admitted assets		\$2,033,406 13

Liabilities

Net unpaid losses		\$1,386,858	17
Unearned premiums		421,303	18
Contingent commission, estimate		25,000	00
State taxes on premiums, estimate		30,000	00
Federal income tax		18,221	54
Bills due or accrued		2,500	00
Total liabilities		\$1,883,882	89
Minimum deposit capital	\$200,000	00	
Impairment of capital	50,476	76	
Surplus as regards policyholders		149,523	24
		\$2,033,406	13

The Sea Insurance Company, Ltd., was authorized to transact the business of marine insurance in the State of New York May 25, 1888.

The United States branch investment account consists of various government, State, city and railroad bonds, representing a total par value of \$1,198,300, and a market value of \$1,122,292 on date of this examination. Attached to this report is a schedule of the securities owned setting forth the par, book and market value of the same. Of the above total the Insurance Department of New York had on deposit May 31, 1917, and the Insurance Department, State of Ohio, on the same date, securities of a par value of \$235,000 and \$110,000 respectively. The securities on deposit are held in trust for the benefit of the company's policyholders in the United States. The Equitable Trust Company of New York, United States trustee of the company, had in its possession registered securities of a par value of \$853,000, the balance, \$1,300 par value, being held by the management. The securities deposited in New York were verified from the Department records; the Ohio deposit from a certificate furnished by the Insurance Department of said State. The securities held by the trustee were personally examined and counted and found to agree with the investment account kept by the company.

The company is under the management of Messrs. Chubb & Son of New York. Said management also represents the United States branches of the Alliance Assurance Company, Ltd., of

London, England; the Marine Insurance Company of London, England, and the marine branch of the London Assurance of London, England. The Federal Insurance Company of Jersey City, N. J., and the marine department of the Hartford Fire Insurance Company of Hartford, Conn., are also under the same management.

Impairment of Capital

The minimum capital of \$200,000 required to be maintained by a foreign country fire or marine insurance corporation over and above all liabilities, was found on this examination to be only \$149,523.24, or, in effect, an impairment of \$50,476.76 in said capital. It would appear from such examination that the financial condition of the United States branch, as shown by the above statement, is not strong enough for the purpose of conducting such a large volume of business. The premium income for the five months ending May 31, 1917, as set forth above certainly suggests the advisability of the company procuring additional funds to protect the business transacted through its United States branch.

THE SEA INSURANCE COMPANY, LIMITED — UNITED STATES BRANCH

LIVERPOOL, ENGLAND

Examined to ascertain condition August 31, 1917.

Report dated October 24, 1917.

Examiner: Charles H. Gardner.

Income

January 1, 1917 to August 31, 1917

Gross premiums	\$6, 590, 465 22
Less reinsurance	\$4, 281, 912 36
Less return premiums	166, 966 91
	4, 448, 879 27
Net	\$2, 141, 585 95
Interest:	
On bonds	\$27, 490 63
On bank balances	6, 558 40
	34, 049 03

Received from home office.....	732,767 90
From agents' balances previously charged off.....	94 54
Suspense account	6,849 28
	\$2,915,346 70
Ledger assets December 31, 1916.....	2,223,178 88
	\$5,138,525 58

Disbursements

Gross losses	\$3,051,565 52
Less reinsurance and salvage.....	1,998,971 53
Net losses	\$1,052,593 99
Commissions and brokerage	536,258 17
Miscellaneous expenses	20,741 74
Taxes	44,639 47
United State revenue tax	1 59
Fire patrol.....	6 84
Insurance department fees	731 17
Fees, licenses, etc.	986 76
Agents' balances charged off.....	4,798 57
Remitted to home office.....	475,616 30
Total disbursements	\$2,136,374 60
Balance	\$3,002,150 98

Assets

Unpaid premiums subsequent to May 31, 1917	\$1,252,092 69
Unpaid premiums prior to June 1, 1917.....	179,606 94
	\$1,431,699 62
Less unpaid reinsurance premiums.....	\$1,119,087 43
and unpaid commissions	261,487 15
	1,380,574 58
Net	\$51,125 04
Book value of bonds	1,164,242 25
Cash in office	11 71
Bank deposits	1,341,766 45
Losses recoverable from authorized companies.....	284,622 46
Losses recoverable from unauthorized companies.....	160,360 19
Bills recoverable	22 88
Total ledger assets	\$3,002,150 98

Non-Ledger Assets

Accrued interest on bonds.....	16,387 92
Gross assets	\$3,018,538 90

Deduct Assets Not Admitted

Unpaid premiums prior to June 1, 1917.....	\$179,606 94	
Losses recoverable from unauthorized companies	160,360 19	
Bills receivable past due	22 88	
Book value of bonds over market value.....	75,966 25	
		415,956 26
Total admitted assets	\$2,602,582 64	

Liabilities

Net unpaid losses	\$1,291,510 46	
Unearned premiums	403,565 41	
Contingent commissions, estimated	25,000 00	
Accrued taxes, estimated	63,000 00	
Suspense account, per income	6,849 28	
Total	\$1,789,925 15	
Deposit capital	\$200,000 00	
Surplus	612,657 49	
Surplus to policyholders	812,657 49	
Total liabilities	\$2,602,582 64	

The financial statement, as above set forth, shows the United States branch possessed of a surplus above its deposit capital and other liabilities of \$612,657.49. The surplus to policyholders of \$812,657.49 includes the capital deposit of \$200,000. It developed as a result of this examination that the impairment of capital referred to in the original report has been eliminated and a surplus accumulated of \$612,657.49. The transactions between the home office and the United States branch are considerable. The head office pays a large amount of losses incurred by the United States branch and it is customary for the branch office to remit funds in payment thereof. During the months of July and August no reimbursement was made for losses paid by the home office, which fact materially increased the resources of the branch and partly accounts for the surplus reported above.

Other items in the foregoing financial statement also provide in part for the surplus shown, such as the reduction in the amount due for losses for unauthorized companies, an unadmitted asset. No credit was allowed in the original report for \$228,128.03

representing such reinsurance, while in the above financial statement a deduction of \$160,360.19 is made or a difference of \$67,767.84 to the advantage of the company. The estimated amount of unpaid losses on date of this examination was also found to be approximately \$95,000 less than charged in the original report.

SECOND RUSSIAN INSURANCE COMPANY — UNITED STATES BRANCH

PETROGRAD, RUSSIA

Examined to ascertain condition March 31, 1918.

Report dated May 13, 1918.

Examiner: Charles H. Gardner.

Income

January 1, 1917 to March 31, 1918

Gross premiums	\$1,489,449 20	
Less reinsurance	\$1,436 02	
return premiums	83,133 47	
		84,569 49
Net premiums		\$1,404,879 71
Interest		18,499 88
Received from home office.....		15,000 00
Total income		\$1,438,379 59
Ledger assets December 31, 1916.....		251,609 75
Total		\$1,689,989 34

Disbursements

January 1, 1917 to March 31, 1918

Gross losses paid	\$328,129 96
Brokerage and commissions	149,194 83
Management commission	202,104 45
Rent	12,000 00
Stationery	1,670 18
Telephone	455 23
Telegrams	330 84
Traveling	54 39
Taxes on premiums	23,992 00
Postage	234 42

General expense	1,498 76
Home office remittance	38,500 00

Total disbursements	\$756,165 06
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Balance	\$933,824 28
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Ledger Assets

Book value of bonds	\$393,058 75
Cash in office	\$7,339 48
Cash in bank	318,638 70

325,978 18

Agents' balances under 90 days due.....	185,096 64
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Agents' balances over 90 days due.....	29,690 71
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Total ledger assets	\$933,824 28
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Non-Ledger Assets

Accrued interest on bank balances.....	238 65
Accrued interest on bonds.....	3,543 33

Gross assets	\$937,606 26
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Deduct Assets Not Admitted

Agents' balances over ninety days due.....	\$29,690 71
Book value of bonds in excess of market value	26,748 75

56,439 46

Admitted assets	\$881,166 80
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Liabilities

Unpaid losses	\$204,877 08
Premium reserve, trip risks	\$59,748 48
time risks	79,733 73

139,482 21

State tax due and accrued.....	14,164 82
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Federal tax (estimated)	30,000 00
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Total liabilities except statutory deposit.....	\$388,524 11
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Statutory deposit	\$200,000 00
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Surplus	292,642 69
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Surplus to policyholders.....	492,642 69
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Total	\$881,166 80
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The Second Russian Insurance Company, of Petrograd, Russia, was authorized to transact ocean marine business in New York State November 26, 1916. A deposit with the Department of securities of the par value of \$200,000 was made by the company for the benefit of its policyholders in the United States, in addition to its statutory deposit held by this Department for the transaction of fire insurance, as required under the provisions of section 28 of the Insurance Law. The securities deposited by the marine branch consist of bonds of the city of New York of a par value of \$200,000 and a market value of \$185,500 on date of this examination. The market value of these securities is \$14,500 less than the minimum required as called for under the provisions of section 13 of the Insurance Law.

As a result of this examination the marine branch of the company was found to have a surplus of \$292,642.69 over all liabilities, said sum being in addition to its statutory deposit of \$200,000, or a surplus to policyholders of \$492,642.69.

THE SKANDINAVIA REINSURANCE COMPANY, LIMITED — UNITED STATES BRANCH

COPENHAGEN, DENMARK

Examined to ascertain condition December 31, 1917.

Report dated April 16, 1918.

Examiner: John H. Kirker.

History and Organization

The Skandinavia Reinsurance Company is a corporation formed and existing under the laws of the Kingdom of Denmark. It is authorized to transact in this State the business of fire and marine insurance.

Sumner Ballard of 80 Maiden lane, New York city, is its resident agent and manager and acts for the company under a power of attorney which gives him full power to conduct for the company the business of fire and marine insurance in this State and the several States of the United States. Under the terms of this

power of attorney he may designate and appoint one or more persons, firms or corporations as his assistants or substitutes to do and perform the several acts, matters and things specified in the instrument or any of them with the same force and effect as though done by him. On November 13, 1916, the said Sumner Ballard appointed William H. McGee & Company of 15 William street, New York city, as attorney and substitute in all matters pertaining to the marine insurance business of the said Skandinavia Reinsurance Company. William H. McGee & Company have also been appointed general marine agents for the United States under a contract executed at the home office of the company on December 16, 1916.

The Guaranty Trust Company of New York is the United States trustee for the fire and marine departments of the company.

The financial condition of the company at the close of business on December 31, 1917, was found to have been as follows:

<i>Ledger Assets</i>	
Book value of bonds	\$207, 140 00
Cash in banks	164, 521 55
Uncollected premiums less than ninety days due.....	22, 369 39
Total ledger assets	<u>\$394, 030 94</u>
<i>Non-Ledger Assets</i>	
Interest accrued on bonds	2, 125 00
Gross assets	<u>\$396, 155 94</u>
<i>Deduct Assets Not Admitted</i>	
Book value of bonds over market value.....	7, 140 00
Total admitted assets	<u><u>\$389, 015 94</u></u>
<i>Liabilities</i>	
Net unpaid losses	\$78, 150 82
Unearned premium reserve:	
Time risks	\$11, 003 56
Trip risks	12, 342 62
	<u>23, 346 18</u>
State taxes accrued on premiums estimated.....	5, 771 97
War tax on premiums	54 81
Balances over ninety days due, advanced by its general agent.	5, 488 70
Total liabilities	<u><u>\$112, 812 48</u></u>

Deposit capital	\$200,000 00	
Surplus	76,203 46	
Surplus as regards policyholders.....		276,203 46
Total		\$389,015 94

Income and Disbursements

A statement showing the income and disbursements for the year ending December 31, 1917, follows:

Income

Gross premiums		\$263,415 69
Less reinsurance premiums	\$15,285 04	
Less return premiums	6,944 11	
		22,229 15
Net premiums		\$241,186 54
Interest on bonds		8,500 00
Interest on bank balances		293 53
Received from the fire department of the United States branch of the company		100,000 00
Total income		\$349,980 07
Ledger assets December 31, 1916.....		207,140 00
		\$557,120 07

Disbursements

Gross losses paid		\$118,963 08
Less reinsurance	\$3,604 55	
Less salvage	556 21	
		4,160 76
Net losses paid		\$114,802 32
Adjustment expenses		1 49
Commissions		47,924 43
Stationery		310 75
Inspections and surveys		10 00
Internal revenue tax		40 14
Total disbursements		\$163,089 13
Balance ledger assets December 31, 1917.....		\$394,030 94

Bonds

The bonds owned by the company, consisting of New York city corporate stock, 4 $\frac{1}{4}$ s, 1930, of a par value of \$200,000, have been deposited with this Department to comply with section 28 of the Insurance Law of this State.

Cash in Banks

The company has funds on deposit with the Guaranty Trust Company of New York and the National City Bank of New York. The balances of these accounts as of December 31, 1917, were verified from the company's records and reconciled with certificates received from said banking institutions.

Uncollected Premiums

The uncollected premiums amounting to \$22,369.39 represent balances due to the company by its general agent on business written during the last three months of 1917.

Unpaid Losses

The unpaid loss liability as shown in the foregoing financial statement exceeds the amount reported by the company in its annual statement as of December 31, 1917, by the sum of \$23,698.82. This increase was due to the company's failure to carry a reserve for losses incurred prior to December 31, 1917, and of which it had no notice on that date.

Unearned Premium Reserve

The company omitted to include in the computation of its unearned premium reserve certain trip premiums while it carried a reserve of 100 per cent on its time premiums. These errors resulted in an over-statement of this reserve by the sum of \$4,156.24.

Balances Over Ninety Days Due Advanced by Its General Agent

This item of \$5,488.70 represents balances over ninety days due which have been advanced to the company by its general agent under a general agency contract. This contract provides that the general agent shall pay all balances not later than ninety days after the business is written, such balances, however, being

subject to repayment to the general agent if uncollectible. The above amount has been considered in this report as a contingent liability and has been so treated in the foregoing financial statement.

THE UNION MARINE INSURANCE COMPANY, LIMITED — UNITED STATES BRANCH

LIVERPOOL, ENGLAND

Examined to ascertain condition March 31, 1917.

Report dated June 29, 1917.

Examiner: Charles H. Gardner.

Income

Gross premiums		\$556, 337 81
Less reinsurance	\$146, 800 77	
and return premiums	42, 540 39	
		189, 341 16
Total net premiums		\$366, 996 65
Interest on bonds	\$10, 513 42	
on bank balances	244 82	
		10, 758 24
Refund, emergency revenue tax		193 03
Agents' balances previously charged off		22 38
Remitted from home office		42, 361 64
Total income		420, 331 94
Ledger assets December 31, 1916		1, 371, 459 96
Total		\$1, 791, 791 90

Disbursements

Gross losses	\$451, 082 38	
Less reinsurance	\$179, 782 75	
and salvage	15, 893 31	
		195, 676 06
Net losses		\$255, 406 32
Commissions		51, 970 08
Salaries		12, 913 48
Rent		1, 172 11
Telegraph and telephone		1, 196 13
Postage		509 57
Inspections and surveys		198 24

Suppers	496 16
Printing and stationery	2,460 94
Advertising	82 00
Travel	648 40
Allowances to agents	545 20
Underwriters' boards	540 84
Miscellaneous expenses	1,320 18
State taxes	32,295 42
Fire taxes	29 91
Licenses and fees	3,032 40
Contingent commissions	701 27
Trustees' fees	1,000 00
Furniture and fixtures	719 95
Remitted to home office.....	120,179 56

Total disbursements	\$487,418 16
Balance, ledger assets March 31, 1917.....	1,304,373 74

Total	<u>\$1,791,791 90</u>
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Ledger Assets

Book value of bonds	\$875,985 22
Cash in office	1,179 08
Bank deposits	37,233 17
Agents' balances, under 90 days	161,060 78
Agents' balances, over 90 days	60,349 50
Bills receivable, premiums not due.....	385 00
Bills receivable, premiums over 90 days due..	867 66
Due from authorized companies on paid losses	132,719 56
Due from unauthorized companies on paid losses	34,593 77

Total ledger assets	<u>\$1,304,373 74</u>
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Non-Ledger Assets

Accrued interest on bonds.....	\$12,779 37
Accrued interest on bank balances.....	7 33
	<u>12,786 70</u>

Gross assets	<u>\$1,317,160 44</u>
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Deduct Assets Not Admitted

Book value of bonds over market value.....	\$33,625 22
Agents' balances over 90 days	60,349 50
Bills receivable covering premiums over 90 days	867 66
Due from unauthorized companies on paid losses	34,593 77
	<u>129,436 15</u>

Admitted assets	<u>\$1,187,724 29</u>
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Liabilities

Gross unpaid losses	\$795,381 44	
Deduct authorized reinsurance	200,933 77	
Net unpaid losses and claims.....		\$594,447 67
Unearned premiums:		
Time risks	\$134,104 20	
Trip risks	67,525 46	
Total unearned premiums		201,629 66
State taxes accrued, estimate		10,000 00
Expenses due or accrued.....		2,501 79
Contingent commissions, estimate		6,000 00
Total		\$814,579 12
Deposit capital	\$200,000 00	
Surplus	173,145 17	
Surplus to policyholders		373,145 17
Total liabilities		\$1,187,724 29

The Union Marine Insurance Company, Ltd., of Liverpool, England, was authorized to transact the business of marine insurance in this State on October 14, 1880. Messrs. Jones and Whitlock were the United States managers until July 1, 1904. From said date until July 1, 1910, the company's affairs were conducted by Franz Herrmann as manager. On July 1, 1910, the management was transferred to F. Herrmann & Company, a partnership with offices located at 37 Wall street, New York city. On or about October 1, 1915, the management was again changed by the appointment of H. K. Fowler in place of the above partnership, with offices located at 27 South William street, New York city.

The foregoing financial statement shows the company's surplus over all liabilities to be the sum of \$173,145.17 and a surplus to policyholders of \$373,145.17, said latter sum including the deposit capital of \$200,000.

As a result of this examination the surplus of \$173,145.17, as certified in this report, was found to be \$106,902.32 smaller than the surplus reported by the company in its statement furnished the department for the quarter ending March 31, 1917.

The reduction in surplus is due principally to an increase of \$73,235.21 in the amount reserved for unpaid losses. Of the

above amount \$64,759.50 represents losses due and properly charged on the company's books, but in the preparation of the quarterly statement the accounting department overlooked this liability and failed to include said amount in such statement. The balance, approximating \$9,000, is accounted for both by changes in the original estimates and by payments made subsequent to March 31, 1917. The unearned premium fund was increased \$24,617.90, the surplus being reduced in a corresponding amount.

The company has on deposit with insurance departments, and in the hands of trustees, securities of a par value of \$902,500, and a market value of \$842,360 on date of this examination. On deposit with the New York State Insurance Department are securities of a par value of \$217,000, with the Treasury Department of the Commonwealth of Massachusetts \$117,000 par value, and with the Insurance Department of the State of Ohio \$100,000 par value. A special deposit of \$10,000 par value is held by the Insurance Department of the State of Georgia in trust for the benefit of the policyholders residing in said State. Messrs. George F. Crane and T. Suffern Tailor of the city of New York, United States trustees of the company, hold the remaining securities amounting to \$458,500 par value. Certificates were received from the several State departments showing the respective deposits therein as of March 31, 1917. The securities held by the trustees were personally counted and examined.

H. K. Fowler, manager of this company, is also the United States representative of the Thames & Mersey Marine Insurance Company, Ltd., of Liverpool, England, the North China Insurance Company, Ltd., of Shanghai, China, the marine department of the Liverpool & London & Globe Insurance Company of Liverpool, England, and the marine department of the Phoenix Assurance Company, Ltd., of London, England. The Columbia Insurance Company of Jersey City, N. J., and the Old Colony Insurance Company of Boston, Mass., are also associated with and under the same management. The Columbia Insurance Company of New Jersey through stock ownership held abroad is owned by the Union Marine Insurance Company, Ltd., of Liverpool, England.

Lloyds and Inter-Insurers Associations

INDIVIDUAL UNDERWRITERS

NEW YORK CITY

Examined to ascertain condition June 30, 1917.

Report dated August 28, 1917.

Examiner: Charles H. Gardner.

Income

January 1 to June 30, 1917

Gross premiums	\$232,027 15
Deduct return premiums	8,659 61
Total net premiums	\$223,367 54
Interest	7,126 58
Cash deposits from subscribers	21,000 00
Total income	\$251,494 12
Ledger assets December 31, 1917.....	866,021 19
Total	\$1,117,515 31

Disbursements

January 1 to June 30, 1917

Losses paid	\$5,379 40
Expenses of adjustment and settlement of losses.....	137 52
Commissions	23,202 72
Printing and stationery	7 76
Legal expenses	150 00
Fire department, fire patrol and salvage corps assessments, fees, taxes and expenses.....	2,334 87
State taxes on premiums.....	1,532 09
Insurance department licenses and fees	369 25
Federal income tax	260 62
Advisory committee fees	1,040 00
Auditing	200 00
Bank exchange	41 36
Miscellaneous expenses	216 04
Subscribers' accounts liquidated.....	4,885 46
Paid subscribers for interest or dividends	243,902 29
Total disbursements	\$283,659 38
Balance	\$833,855 93

<i>Assets</i>	
Book value of bonds.....	\$287, 175 00
Deposits in trust companies and banks.....	542, 689 55
Premiums in course of collection.....	3, 991 38
Total ledger assets	\$833, 855 93
<i>Non-Ledger Assets</i>	
Interest accrued on bonds	1, 500 00
Interest accrued on bank deposits.....	4, 840 29
Market value of bonds over book value.....	1, 945 00
Total admitted assets	\$842, 141 22
<i>Liabilities</i>	
Unearned premiums	\$174, 632 99
Reserve for contingencies.....	5, 000 00
Underwriters' deposits	339, 000 00
Total amount of all liabilities.....	\$518, 632 99
Surplus over all liabilities.....	323, 508 23
Total	\$842, 141 22

This examination was conducted in accordance with an application made by Messrs. Evans & Swinney, attorneys desiring to transact business in the State of Ohio. As a result of such examination, the association was found to have a free surplus of \$323,508.23 on date of June 30, 1917.

The securities owned by the association consist of New York city bonds of a par value of \$300,000 and a market value of \$289,120 on date of this examination. These securities were personally examined and counted and found to agree with the association records. The cash, amounting to \$542,689.55, was verified, both from the association pass books and certificates obtained from the several depositories.

No liability for unpaid losses existed on June 30, 1917. The unearned premium fund of \$174,632.99 represents a reserve computed on the 50 per cent basis. The reserve records were checked and the amount charged for such liability in this report is believed to be correct.

An advisory committee consisting of seven subscribers has control of all moneys and securities of the association. The attorneys receive 10 per cent of the gross premium income out of which they pay all office expenses.

Each subscriber is required to deposit an amount with the advisory committee, which must be maintained, equal to the maximum amount for which he is willing to insure any risk, viz.: \$500, \$1,000, \$1,500 or \$2,000.

The total amount of underwriters' deposits above referred to is the sum of \$339,000 at the date of this examination.

LUMBER UNDERWRITERS

NEW YORK CITY

Examined to ascertain condition March 31, 1917.

Report dated April 25, 1917.

Examiner: John H. Kirker.

Ledger Assets

Book value of bonds.....	\$10,000 00	
Bank deposits on interest.....	75,763 32	
Bank deposits not on interest.....	5,731 84	
Agents' balances and uncollected premiums, subsequent to December 31, 1916.....	37,967 07	
Agents' balances and uncollected premiums, prior to January 1, 1917.....	15,458 46	
Reinsurance recoverable on paid losses.....	17,248 95	
Advances to attorney-in-fact.....	7,207 25	
Total		\$169,376 89

Non-Ledger Assets

Interest accrued:

On bonds	\$87 50	
On bank balances	662 79	
		750 29

Gross assets	\$170,127 18
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Deduct Assets Not Admitted

Agents' balances and uncollected premiums, prior to January 1, 1917.....	\$15,458 46	
Market value special deposits in excess of cor- responding liabilities	5,073 60	
Advances to attorney-in-fact.....	7,207 25	
Book value of bonds over market value.....	400 00	
Reinsurance recoverable on paid losses from unauthorized companies	13,473 84	
		<u>41,613 15</u>
Total admitted assets		\$128,514 03

Liabilities

Unpaid losses, net	\$53,058 19	
Unearned premiums	93,398 64	
State tax on premiums, estimate	521 52	
Expenses accrued	600 00	
Retired subscriber account	1,580 99	
Deficit		20,645 31
Total liabilities	\$149,159 34	<u>\$149,159 34</u>

The income and disbursements for the quarter ending March 31, 1917, were as follows:

Income

Gross premiums	\$84,069 06	
Less reinsurance premiums	\$28,300 85	
Less return premiums	20,142 65	
		<u>48,443 50</u>
Net premiums		\$35,625 56
Interest on bonds		175 00
Total		<u>\$35,800 56</u>
Ledger assets December 31, 1916.....		152,726 08
		<u>\$188,526 64</u>

Disbursements

Net losses	\$3,528 93
Adjustment expenses	297 32
Commissions and brokerage	7,605 71
Insurance department licenses and fees	291 00
Underwriters' boards	2 73
State taxes on premiums	877 63

Federal corporation tax	21 36
Emergency revenue tax	3 98
Executive committee fees and expenses	1,666 82
Miscellaneous expenses	232 33
Agents' balances charged off.....	621 94
Retired subscriber	4,000 00
Total	\$19,149 75
Balance ledger assets March 31, 1917.....	\$169,376 89

The items requiring explanation or comment are as follows:

Assets

The securities owned are shown hereunder:

<i>Description of Bonds</i>	<i>Par Value</i>	<i>Market Value</i>
State of Georgia 3½s, 1931.....	\$2,000	\$1,920
State of Georgia 3½s, 1932.....	5,000	4,800
State of Georgia 3½s, 1933.....	3,000	2,880
Totals.....	\$10,000	\$9,600

These bonds, which are on deposit in the State of Georgia, were verified from a certificate furnished by the Treasury Department of that State.

The bank balances as shown on the general ledger were reconciled with certificates from the several banks and trust companies.

Of the agents' balances and outstanding premiums \$15,458.46 was found to represent business written prior to January 1, 1917, and therefore deducted under assets not admitted. It appears that \$8,284.85 of this amount has since been collected.

Reinsurance recoverable from unauthorized companies on paid losses amounting to \$13,473.84 was also disallowed.

The item of \$7,207.25 represents payments to the attorney-in fact over and above the compensation provided for in his contract with the underwriters. Not being a proper asset as contemplated in sections 16 and 118 of the New York insurance law, no credit has been allowed for the same.

Liabilities

In estimating the liabilities for unpaid losses, considerable difficulty was experienced owing to incomplete records. The amount charged in the foregoing financial statement is based upon a careful examination of all available claim papers, and includes consideration of claims reported subsequent to March 31, 1917, for fires occurring on or prior thereto.

The unearned premium liability was compiled from the records of the association and computed on a monthly pro rata basis.

Conclusion

The excess of liabilities over assets as shown in the foregoing financial statement amounts to \$20,645.31, and is due partly to certain assets, on the greater portion of which the association will no doubt realize, but which legally could not be included as admitted assets.

It is recommended that the association be directed to make good this deficiency.

LUMBER UNDERWRITERS

NEW YORK CITY

Examined to ascertain condition June 30, 1917.

Report dated August 3, 1917.

Examiner: John H. Kirker.

The report herein submitted is supplemental to a report on examination of this association, dated April 25, 1917, showing its financial condition as of March 31, 1917, which disclosed an excess of liabilities over assets in the sum of \$20,645.31. This condition of affairs was due principally to reinsurances effected with unauthorized companies and for which no credit was given and the disallowance of assets covering (1) agents' balances over ninety days due, (2) market value of special deposits in excess of corresponding liabilities, and (3) advances to the association's attorney-in-fact.

The financial condition of the association of June 30, 1917 was found to have been as follows:

Ledger Assets

Book value of bonds	\$10,000 00
Cash in banks	61,376 63
Agents' balances under ninety days.....	12,734 62
Agents' balances over ninety days.....	5,165 68
Reinsurance due on paid losses	26,033 46
Return premiums due from reinsuring companies.....	11,951 90
Advances to attorney-in-fact.....	123 36

Total ledger assets	\$127,385 65
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Non-Ledger Assets

Interest accrued on bonds.....	175 00
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Gross assets	\$127,560 65
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Deduct Assets Not Admitted

Agents' balances over ninety days.....	\$5,165 68
Reinsurance due on paid losses from unauthorized companies	13,364 23
Return premiums due from unauthorized companies	2,630 46
Advances to attorney-in-fact.....	123 36
Book value of bonds over market value.....	680 00

21,963 73

Total admitted assets	\$105,596 92
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Liabilities

Unpaid losses	\$32,053 14
Unearned premium reserve.....	63,453 44
Taxes due or accrued, estimated.....	250 00
Executive committee expenses unpaid.....	600 00
Sundry bills due or accrued.....	83 81

Total liabilities	\$96,440 39
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Surplus ..	9,156 53
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Total ..	\$105,596 92
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The income and disbursements for the six months ended June 30, 1917, were as follows: .

Income

Gross premiums	\$139,818 02
Less reinsurance premiums	\$34,068 42
Less return premiums	63,727 63

97,796 05

Net premiums	\$42,021 97
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Interest on bank balances.....	1,065 80
Interest on bonds	175 00
Agents' balances previously charged off.....	223 36
Revenue stamps redeemed	121 70
Total income	\$43,607 83
Ledger assets December 31, 1916.....	152,726 08
	\$196,333 91
<i>Disbursements</i>	
Gross losses paid	\$126,229 24
Less reinsurance	\$77,346 78
Less salvage	7 19
Less discount	24 07
	77,378 04
Net losses paid	\$48,851 20
Adjustment expenses	581 74
Commission and brokerage	9,211 88
Expenses of executive committee	2,751 84
Agents' balances charged off	1,077 43
Taxes and fees	1,854 34
Retired subscriber	4,000 00
Miscellaneous expenses	619 83
Total disbursements	\$68,948 26
Balance ledger assets June 30, 1917.....	\$127,385 65

It is indicated from the foregoing statement of assets and liabilities which shows a surplus of \$9,156.53 that the deficit existing on March 31, 1917, has been removed. The improvement made during the quarter ending June 30, 1917, was due to the fact that the association has been successful in collecting past due balances from delinquent agents, through the repayment by the attorney-in-fact of moneys advanced to him, and by reason of the allowance as an asset of the entire market value of securities deposited in the State of Georgia as explained hereafter in this report.

The association has liquidated all its liabilities in the State of Georgia and has taken steps to retire and withdraw the securities deposited with the Treasurer of said State for the protection of

the policyholders residing therein. Although it is the custom of this department to deduct as an asset not admitted, the market value of special deposits in excess of corresponding liabilities, full credit is given in this instance in view of the action taken by the association, and because of the absence of any liabilities in the State in which the deposit is made.

The association is now writing exclusively insurance on lumber and kindred risks, practically all other business having been cancelled or expired.

On June 30, 1917, entries were made in the association's general ledger, charging the uncollected premium account with \$2,778.99 and crediting the reinsurance due on paid losses account with a like amount. Inasmuch as this sum represented a portion of the balance due from an unauthorized company, these entries had the effect of increasing the total of uncollected premiums and reducing the amount of reinsurance due on paid losses from unauthorized companies, an item properly deductible as an asset not admitted. Such entries were certainly inaccurate and irregular, the books thereafter showing an improper deduction in an account representing an unadmitted asset and an increase in agents' balances within three months which is an admitted asset. In this report, the items have been reversed and treated correctly.

METROPOLITAN LLOYDS

NEW YORK CITY

Examined to ascertain condition August 5, 1917.

Report dated August 23, 1917.

Examiner: Charles H. Gardner.

Assets

Cash in bank to credit of Meserole & Bowden, attorneys-in-fact for E. Stauffen, Jr., et al.....	\$322,884 28
Total admitted assets	<u><u>\$322,884 28</u></u>

<i>Liabilities</i>	
Liabilities	Nil
Surplus	\$322, 884 38
Total liabilities	<u>\$322, 884 38</u>

The Metropolitan Lloyds was authorized on June 11, 1917, to engage in the business of insurance as specified in section 110 of the insurance law of the State of New York.

An examination on August 5, 1917, made at the office of Messrs. Meserole & Bowden, attorneys-in-fact, showed that said attorneys had taken no steps to install a system of accounts, and therefore no books, policy blanks or other papers necessary for such purpose were found, except a record of the names of the several subscribers and the respective amount paid in by each. The articles of agreement called for subscriptions of not less than \$15,000 to be paid in full or fifty per cent of the amount thereof. The record shows that the total subscription payment to the attorneys-in-fact amounted to the sum of \$322,500.

The total assets of the association comprise cash on deposit with the Bankers Trust Company of New York, and the Liberty National Bank of New York. Certificates were obtained from both banks evidencing such deposits.

Attached to this report is a certified copy of the minutes of a meeting of the advisory committee held on July 19, 1917; also attached to this report is an affidavit of Messrs. Meserole & Bowden, attorneys-in-fact, certifying that no liability or indebtedness existed against the association on August 5, 1917.

NEW YORK RECIPROCAL UNDERWRITERS

NEW YORK CITY

Examined to ascertain condition June 30, 1917.

Report dated August 27, 1917.

Examiner: Charles H. Gardner.

Income

January 1 to June 30, 1917

Gross premiums	\$357,349 48
Deduct return premiums	10,836 70
Total net premiums	\$346,512 78
Interest	23,177 95
Total income	\$369,690 73
Ledger assets December 31, 1916.....	2,223,485 66
Total	\$2,593,176 39

Disbursements

January 1 to June 30, 1917

Losses paid	\$44,217 91
Expenses of adjustment and settlement of losses.....	718 75
Commissions	35,734 95
Printing and stationery	28 13
Underwriters' boards and tariff associations.....	3,038 56
Fire department, fire patrol and salvage corps assessments, fees, taxes and expenses.....	1,151 32
State taxes on premiums.....	1,783 53
Insurance department licenses and fees.....	452 99
Federal income tax	975 68
Advisory committee fees	1,750 00
Auditing	200 00
Bank exchange	49 96
Miscellaneous expenses	273 86
Paid subscribers for interest or dividends.....	407,346 46
Paid subscribers in liquidation of accounts.....	34,732 98
Total disbursements	\$532,455 08
Balance	\$2,060,721 31

Assets

Book value of bonds.....	\$908,129 83
Deposits in trust companies and banks.....	1,147,585 69
Premiums in course of collection.....	5,005 79
Total ledger assets.....	\$2,060,721 31

Non-Ledger Assets

Interest accrued on bonds.....	\$12,195 93
Interest accrued on bank deposits.....	10,632 10
Gross assets	\$2,083,549 34
Book value of bonds over market.....	28,179 83
Total admitted assets.....	\$2,055,369 51

<i>Liabilities</i>	
Unpaid losses	\$538 60
Unearned premiums	312,511 46
Reserve for contingencies	5,000 00
Total amount of all liabilities.....	\$318,050 06
Surplus over all liabilities.....	1,737,319 45
Total	<u>\$2,055,369 51</u>

This examination was conducted in accordance with an application made by Messrs. Evans & Swinney, attorneys and managers desiring to transact business in the State of Ohio. As a result of such examination the association was found to have a free surplus of \$1,737,319.45 on date of June 30, 1917.

The association investment account consists of various government, state, city and railroad bonds of a par value of \$893,000 and a market value of \$879,950 on date of this examination. Attached to this report is a schedule of the securities held by the association, setting forth the book, par and market value of the same. These securities were personally examined and counted and found to agree with the investment account kept by the association. The cash on deposit in trust companies and bank of \$1,147,585.69 was verified both from the association pass books and certificates obtained from the several depositories. An advisory committee, consisting of seven members, has control of all securities and cash on deposit, with the exception of a small balance in the Chase National Bank which is to the credit of the attorneys and managers. The attorneys' compensation is 10 per cent of the gross premium income, which amounted to approximately \$36,000 for the six months ending June 30, 1917. All office expenses of the association are paid by the attorneys from such compensation.

The outstanding loss account on June 30, 1917, amounted to only \$538.60, which sum was paid in the following month.

The unearned premium fund amounting to \$312,511.46 represents a reserve computed on the 50 per cent basis. The reserve records were checked and with the exception of a few minor errors, the amount charged by the association was found to be approximately correct. Before any interest or dividends are paid to a subscriber, his account must show a credit of \$4,000, which

sum must be maintained during his membership, and at the end of each year any amount or credit in excess of said \$4,000 he receives as a dividend. For the year ending December 31, 1916 interest and dividends amounted to \$407,346.46. The association also paid \$34,732.98 to retiring subscribers in final liquidation of their respective accounts.

Only risks with sprinkler equipment are accepted by this association.

NORTH AMERICAN INTER-INSURERS OF THE CITY OF NEW YORK

Examined to ascertain condition June 30, 1917.

Report dated September 5, 1917.

Examiner: John H. Kirker.

History and Organization

This association was organized on April 9, 1892, as the North American Lloyds. On April 15, 1896, the title was changed to the North American Inter-Insurers of the City of New York. The business of the association is confined exclusively to inter-insurance and is conducted through the firm of Benedict & Benedict who are constituted and appointed attorneys-in-fact by each subscriber with the power to insure individuals, firms and corporations who are subscribers to the association against loss or damage by fire upon such conditions as the Advisory Board may deem to be advisable. The compensation of the attorneys-in-fact is fixed at 15 per cent of the net premiums, out of which all expenses are paid, except such as are incurred in connection with the adjustment and settlement of losses, taxes and legal expenses. Every policy is signed by the attorneys-in-fact for each subscriber, individually and severally, no joint liability being assumed for any transaction. None but risks equipped with approved automatic sprinkler systems are insured.

The affairs of the association are under the supervision of an Advisory Board which is elected at the annual meeting of subscribers for the period of one year. It has the management and con-

trol of all the moneys and assets and has the power to determine upon what conditions not specifically provided for in the articles of agreement, or in the power of attorney, insurance shall be granted. The present board consists of the following members:

Joseph H. Emery	of Emery-Beers Company
Louis Stern	of Stern Brothers
A. W. Watson	of Passavant & Company
Jesse Isidor Straus	of R. H. Macy & Company
Hicks Arnold Weatherbee	of Arnold, Constable & Company
Arthur Iselin	of William Iselin & Company
Francis G. Lloyd	of Brooks Brothers

Subscribers are divided into classes as follows:

Class A	Liability as to any one risk	\$10,000
Class B	" " " " " "	5,000
Class C	" " " " " "	2,500

In the event of a conflagration involving several risks, each subscriber is liable for double the amount which the attorneys are authorized to insure for him on any one risk, namely, Class A, \$20,000; Class B, \$10,000; and Class C, \$5,000.

The amount of insurance available to subscribers is regulated according to liability assumed and number of members in each class. On August 27, 1917, there were 41 members in Class A, 16 members in Class B and 18 members in Class C. The maximum amount of insurance which the subscribers may receive is shown hereunder.

Class A	\$525,000
Class B	325,000
Class C	185,000

The amount of insurance in respective classes may, if desired, be limited as follows:

Class A	\$400,000
Class B	200,000
Class C	100,000

The following statement shows the income and disbursements for the six months ending June 30, 1917, and the assets and liabilities as at that date:

Income

Gross premiums	\$55,632 26
Less return premiums	2,649 52
Net premiums	<u>\$52,982 74</u>
Interest on bank balances	911 65
Interest on bonds	6,825 00
Gross increase by adjustment in book value of bonds	1,984 30
Total income	<u>\$62,703 69</u>
Ledger assets December 31, 1916	400,695 21
Total	<u><u>\$463,398 90</u></u>

Disbursements

Gross losses paid	\$39,196 47
Expenses of adjustment and settlement of losses	128 27
Commissions	7,947 40
Advisory Board fees and expenses	151 60
Legal expenses	535 00
Under writers' boards and tariff associations	179 88
Salvage corps fees	40 15
State taxes on premiums	391 42
Insurance department licenses and fees	28 00
Federal corporation tax	310 40
Auditing expenses	53 57
Miscellaneous expenses	40 00
Dividends paid to subscribers	17,824 47
Gross decrease by adjustment in book value of bonds	4,984 80
Total disbursements	<u>\$71,811 43</u>
Balance being ledger assets June 30, 1917	<u><u>\$391,587 47</u></u>

Ledger Assets

Book value of bonds	\$329,167 50
Cash in banks	57,127 58
Uncollected premiums less than three months due	5,292 39
Total ledger assets	<u>\$391,587 47</u>

Non-Ledger Assets

Interest accrued on bonds	3,839 38
Gross assets	<u>\$395,426 85</u>

Deduct Assets Not Admitted

Book value of bonds over market value	12,097 50
Total admitted assets	<u><u>\$383,329 35</u></u>

<i>Liabilities</i>	
Unearned premium reserve	\$47,184 91
Accrued taxes, estimated	325 00
Total amount of all liabilities.....	\$47,509 91
Surplus	335,819 44
Total	<u>\$383,329 35</u>

*Bonds:**Assets*

The bonds owned by the association were examined and counted on April 29, 1917. A schedule showing the par and market values of such securities is attached to this report and marked Exhibit "A."

Cash in banks:

The association has funds on deposit with the Columbia Trust Company of New York and the Guaranty Trust Company of New York. The balances of these accounts on June 30, 1917, were verified from the association's records and reconciled with certificates obtained from the above banking institutions.

Uncollected premiums:

This item represents the sum due the association by its attorneys-in-fact who collect the premiums from the members. None of this amount was over 90 days due at the date of this examination.

*Liabilities**Unearned premium reserve:*

The premiums in force were listed according to months of expiration. The unearned premiums have been pro-rated upon a monthly basis and amount to the sum of \$47,184.91.

Accrued taxes

This amount is an estimate of the taxes accrued on premiums written during the first six months of 1917. It is based upon the taxes paid in 1917 on business written during 1916.

On June 30, 1917, there were no unpaid losses or expenses.

Co operative Fire Insurance Companies

THE AMHERST AND CLARENCE CO-OPERATIVE INSURANCE ASSOCIATION

SWORMVILLE, N. Y.

Examined to ascertain condition April 24, 1918.

Report dated May 10, 1918.

Examiner: J. H. Middleton.

This company was formed in June, 1892, and has transacted business continuously since as a co-operative fire insurance corporation.

It has been licensed by the department as a town assessment company, and its business is confined to the towns of Amherst and Clarence in Erie county.

The only examination of the corporation was made by an examiner of this department on June 4, 1912.

The assets and liabilities of the corporation on April 24, 1918, were as follows:

<i>Assets</i>		
Cash in bank		\$3,660 17
<i>Liabilities</i>		
Unpaid losses	\$976 70	
Money advanced by treasurer	200 00	
Total liabilities		\$1,176 70

Method of Business

Policies are issued by the secretary usually for the term of five years. The principal business of the company is the insurance of farm property. In addition, however, it insures dwellings, churches, schools and automobiles which are assessed at the same rate as other property. At a recent annual meeting the policyholders of the company voted to pay losses upon horses and automobiles while in the city of Buffalo, which is outside the territory of the company.

For taking applications the company employs agents who make inspections and surveys. For such services they receive \$1.00 for new policies and 75 cents on renewals, and for changes in policies 50 cents on personal property and 75 cents on real property.

Losses are adjusted by adjusters appointed for that purpose. Money is paid out by the treasurer by check on the order of the president and secretary. It is the rule of the company to insure not more than \$7,000 in any one risk, and an inspection of the policy register indicates that this rule is being followed.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register and minutes of the meetings of the members and of the board of directors and executive committee and all applications. The financial records of the company are examined by a finance committee composed of three directors who make a written report of their findings which is published in the company's annual report to its members.

Assessments

Assessments are levied annually in September. The assessment is estimated to produce a sum sufficient to meet all losses and expenses for the next year. It is paid to collectors who are appointed for the purpose of receiving it. For their services in collecting assessments such collectors receive $2\frac{1}{2}$ per cent of the funds collected.

Since the assessment is to pay for future losses, new members coming into the company after the collection of the assessment are charged a fee of 10 cents per \$100 of insurance.

For delinquency in payment of assessments a penalty of 10 per cent of the amount of the assessment is added thereto.

Insurance in Force

On December 31, 1917, there were 914 policies and \$2,506,080 of insurance in force.

Advance Payment

The company charges new members a policy fee of \$1.00 but makes no such charge on old members. Similarly, a percentage of 10 cents per \$100 of insurance is charged only to new members, since, as stated above, the company collects its assessment to pay future losses and expenses.

Bonds

The treasurer is bonded in the sum of \$4,000 with four individuals as sureties. The collectors usually give bond in an amount deemed by the board of directors adequate to cover the sums in their hands.

THE ASHFORD MUTUAL FIRE INSURANCE
COMPANY

WEST VALLEY, N. Y.

Examined to ascertain condition October 4, 1917.

Report dated May 13, 1918.

Examiner: J. H. Middleton.

This company was organized in 1877, and has done business continually since as a co-operative fire insurance company.

Its territory is confined to fifteen towns in Cattaraugus county. The company has voted to extend into the whole of the county, but has not as yet filed the necessary certificates to enable it to make the extension.

The department has issued to the company a certificate to transact business as a town assessment corporation.

The only previous examination of the company was made by an examiner of this department on August 15, 1911.

The assets and liabilities of the company on October 4, 1917, were as follows:

<i>Assets</i>	
Cash reported in treasurer's hands.....	\$458 36
Cash in treasurer's hands (verified).....	539 64
Cash in bank	4, 050 19
Total assets	\$5, 048 19

Assets

At the time of the examination there were currency, checks and money orders in the office of the treasurer ready for deposit amounting to \$539.64. Neither the secretary nor treasurer keeps a cash book. It was necessary, therefore, to ascertain as nearly

as possible the financial standing of the company by starting with the amount on hand at the annual meeting and listed receipts from the stubs of the treasurer's receipt book, and the disbursements from the stubs of the check book. The result of this seemed to indicate a shortage of \$458.36, which was brought to light on receiving a voucher from the company's bank showing the amount on deposit at the date of examination. A long correspondence with the officers of the company ensued, but no satisfactory result was arrived at. A second visit to the company was, therefore, made on April 25, 1918, at which the president, the secretary and the treasurer were present, and the financial records of the company were again examined. The explanation of the apparent shortage seems to lie in the fact that it is the custom of the company during the assessment collection period to keep on hand a considerable sum in cash to permit the treasurer to cash checks of the members desiring to pay their assessments. The treasurer stated that he forgot to notify me that such amount was in his safe. The other officers of the company confirmed the treasurer's statement, and as the amount deposited in bank was the sum called for by the records of the company, the statement was accepted after the treasurer had executed an affidavit stating the facts set forth above, and setting forth as well that neither he nor any other person had ever to his knowledge used any of the company's money for purposes other than the company's business.

Liabilities

The secretary stated that there were no loss claims or other outstanding liabilities.

Method of Business

Policies are issued by the secretary usually for the term of five years. The principal business of the company is the insurance of farm property. In addition it insures water protected buildings and a few school houses.

The company employs agents whose duty it is to take applications, inspect risks, collect premiums and assist in the adjustment of losses.

For taking applications the agent receives \$1.50 for each application taken.

Losses are adjusted by the president, the secretary and the director living in the town in which the loss occurs.

Money is paid out by the treasurer by check on an order signed by the president and secretary.

The secretary states that the financial accounts of the company are examined by the board of directors.

The rule of the company is to insure not more than \$7,000 in a single risk. The company has issued a few policies in excess of \$7,000, but the secretary states that in such cases buildings are so located that a loss of more than \$7,000 could not occur.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register and minutes of the meetings of the company and of the board of directors and all applications.

As before stated, the financial records of the company are poorly kept. At the time of the examination, on August 24, 1911, the examiner stated in his report that: "As the treasurer keeps no cash account, there is no way of knowing accurately the exact standing of the company until the close of the year." In addition, the examiner made a number of recommendations looking to the improvement of the condition of the financial records, and under date of September 13, 1911, the secretary wrote that: "this company will abide by the recommendations made by the department." No evidence of improvement, however, is noticeable.

Assessments

Assessments are usually levied annually, the notice thereof being mailed on July 10th.

The amount of the assessment is estimated to be sufficient to pay all losses and expenses until the next annual meeting in the following June:

All assessments are paid to the treasurer and no fee for delinquency in payment of assessments is exacted.

Insurance in Force

On December 31, 1916, there were 1,595 policies and \$2,949,846 of insurance in force.

Advance Payment

The company charges in advance a policy fee of 25 cents and, in addition, a percentage of 25 cents per \$100 of insurance.

Bonds

At the date of the examination there was in the possession of the company a bond given by the treasurer, but such bond by its terms was void. The secretary has since submitted a bond given by the treasurer with three individuals as sureties in the amount of \$15,000.

In lieu of a salary the secretary receives 25 cents for each policy issued, and the treasurer receives $2\frac{1}{2}$ per cent on all moneys received except loans.

AUBURN MUTUAL FIRE INSURANCE COMPANY OF
CAYUGA COUNTY

AUBURN, N. Y.

Examined to ascertain condition April 19, 1918.

Report dated May 2, 1918.

Examiner: J. H. Middleton.

This company was organized in 1907 and has transacted business continuously since. It has been licensed by the department as a county assessment co-operative fire insurance company and has authority to transact business in the counties of Cayuga, Onondaga, Ontario, Wayne and Monroe.

The last previous examination of the company was made by an examiner of this department on October 22, 1913.

The assets and liabilities of the company on April 19, 1918, were as follows:

<i>Assets</i>	
Cash in office	\$38 19
Cash in bank	47 11
Total assets	\$85 30
<i>Liabilities</i>	
None	

Method of Business

Policies are issued by the secretary for the term of one to three years. The principal business of the company is the insurance of village dwellings both protected and unprotected. It also insures a few churches and school houses. Property is divided into classes according to its relative hazard, and should an assessment be made the property would be assessed according to its relative hazard. No assessment has been made, however, since the company has been under the supervision of the department.

Applications for insurance are taken by agents and directors of the company who receive for such services \$1.40 on each \$1,000 of insurance.

Small losses are adjusted by the executive committee but losses exceeding \$200 in amount are adjusted by the board of directors.

It is the rule of the company to insure only \$2,000 in one risk, and this rule seems to be observed with very few exceptions.

The accounts of the company are audited by a committee appointed for that purpose at the annual meeting.

The company does not insure automobiles.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register and minutes of the meetings of the company and of the board of directors and executive committee and all applications.

Insurance in force

On December 31, 1917, there was \$178,900 of insurance in force and 197 policies.

Advance Payment

The company charges in advance a percentage of 10 cents per one hundred dollars of insurance for each year of the policy, and a survey fee graded according to the amount of the risk, but in no event does such survey fee exceed \$2.

Bonds

The secretary and treasurer have each given a surety bond in the sum of \$500.

The executive committee consists of the president, the secretary and the treasurer. Their principal function is to pass on applications.

THE BALLSTON CO-OPERATIVE INSURANCE
ASSOCIATION

BURNT HILLS, N. Y.

Examined to ascertain condition April 4, 1918.

Report dated April 8, 1918.

Examiner: J. H. Middleton.

This company was organized in February, 1882, as a co-operative fire insurance corporation. Its territory is confined to the town of Ballston in Saratoga county, and it has been licensed by the Department as a town assessment corporation.

The only previous examination of the company was made by an examiner of this Department on November 12, 1913.

The assets and liabilities of the company on April 4, 1918, were as follows:

<i>Assets</i>	
Cash in office	\$9 79
Cash in bank	95 98
Total assets	\$105 77
<i>Liabilities</i>	
None	

Method of Business

Policies are issued by the secretary usually for the term of five years. The principal business of the company is the insurance of farm property. It does insure, however, a few detached dwellings.

Property is divided into classes according to exposure and assessed at different rates.

It is the duty of the directors to take applications and make inspections. The company has one director in each school district of the town who takes the applications in his local district.

Losses are adjusted by the executive committee, which also passes on all risks.

The funds of the company are received by the treasurer, who pays all bills by check.

It is the policy of the company to insure no more than \$4,500 on a single risk, and an inspection of the policy register indicates that this rule is being followed.

The financial accounts of the company are read at the annual meeting.

The company issues permits for the storage of automobiles in insured buildings but makes no charge therefor.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register and minutes of the meetings of the company and of the board of directors and all applications.

Assessments

Assessments are levied only when necessary to pay losses. The amount of the assessment is based on the amount of losses and expenses which have accrued to the date of the assessment, but it is also estimated to raise a slight surplus to meet any future losses. Assessments are collected by the treasurer. New members are assessed for only their pro rata share of losses which have been incurred during their period of membership.

Insurance in Force

On December 31, 1917, there were 175 policies and \$409,133 of insurance in force.

Advance Payment

The company charges in advance a policy fee of two dollars but no percentage.

Bonds

No officer of the company has given bond.

THE CATTARAUGUS COUNTY CO-OPERATIVE
FARMERS FIRE RELIEF ASSOCIATION

EAST RANDOLPH, N. Y.

Examined to ascertain condition October 2, 1917.

Report dated October 9, 1917.

Examiner: J. H. Middleton.

This company has transacted business since 1885 as a co-operative fire insurance corporation.

Its territory is confined to the counties of Cattaraugus and Chautauqua and it has been licensed by the Department as a county assessment corporation.

The last previous examination of the company was made by an examiner of this Department on August 14, 1911.

The assets and liabilities of the company on October 2, 1917, were as follows:

<i>Assets</i>		
Cash in office	\$29 86	
Cash in bank	7, 873 04	
Assessments in course of collection (Est.)....	1, 000 00	
Total assets		\$8, 902 90
<i>Liabilities</i>		
Losses.		\$385 21

Method of Business

Policies are issued by the secretary usually for the term of five years.

The principal business of the company is the insurance of farm property.

In addition it insures village dwellings, churches and schools.

All property is assessed at the same rate except that barns which are equipped with lightning rods are assessed at 10 per cent less than other property.

The company employs solicitors, most of whom are directors, to take applications and inspect risks.

For taking applications the solicitors receive a fee of \$1.50 for each application taken.

Losses are adjusted by the directors of the company, the adjustment being, however, approved by the executive committee.

Money is paid out usually by check by the treasurer.

The rule of the company is to insure no single risk in excess of \$7,000, and an inspection of the policy register indicated that this rule was being observed.

The accounts of the company are not examined by any committee.

The secretary, however, issues an annual statement showing in detail all sums expended. This report is mailed to each member of the company.

The company insures automobiles while on storage in insured buildings on the same terms as tools.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register and minutes of the meetings of the company and of the board of directors and all applications.

The company's system of bookkeeping and records is excellently devised for their own purposes and also for an examination.

Assessments

Assessments are levied annually, the notice being dated July 20th, and the assessment due in thirty days thereafter.

The amount of the assessment is estimated to be sufficient to not only pay any deficiency in the preceding year but to be large enough to pay at least one-half year's losses in addition.

Assessments are paid to various banks or persons whose names appear in the assessment notice.

Insurance in Force

On December 31, 1918, there were 4,001 policies and \$7,351,-225 of insurance in force.

Advance Payment

The company charges a policy fee of \$1.50 on all policies but no percentage.

Bonds

The treasurer has given a personal bond in the sum of \$8,000.

The executive committee is composed of the president, the secretary and three directors. Its principal duties are to approve losses and audit the bills of the directors.

THE CATTARAUGUS COUNTY PATRONS' FIRE
RELIEF ASSOCIATION

CONEWANGO, N. Y.

Examined to ascertain condition October 5, 1917.

Report dated October 10, 1917.

Examiner: J. H. Middleton.

This company was organized in 1897. Its present territory is confined to the counties of Cattaraugus and Allegany. The Department has issued a certificate to transact business as a county assessment co-operative fire insurance corporation.

The only previous examination of the company was made by an examiner of this Department on August 15, 1911.

The assets and liabilities of the company on October 5, 1917, were as follows:

<i>Assets</i>	
Cash in bank	\$8 49
<i>Liabilities</i>	
Unpaid losses	\$527 00
Borrowed money	2, 550 00
Total liabilities	<u>\$3,077 00</u>

Method of Business

Policies are issued by the secretary usually for the term of five years.

The principal business of the company is the insurance of farm property. In addition it insures grange halls and detached dwellings.

It is the duty of directors to take applications, inspect risks and assist in the adjustment of losses.

For taking applications the director is paid at the rate of twenty cents per hour for time actually spent, such payment being made regardless of whether the application resulted in the issuance of a policy. An inspection of the directors' bills seemed to indicate that the average sum paid for each application taken did not greatly exceed one dollar for each application. Small losses are adjusted by the local director but in case of a large loss the local director is joined by directors from adjoining granges.

Money is paid out by the treasurer on the order of the president and secretary. The rule of the company is to insure not more than \$7,000 in a single risk, and an inspection of the policy register seems to indicate that this rule is being followed.

The financial accounts of the company are examined annually by the executive committee.

The company does not insure automobiles but issues permits for their storage in insured buildings free of charge.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register and minutes of the meetings of the company and of the board of directors and executive committee and all applications.

Assessments

Assessments are levied annually as of September 1st. In the present year notices are dated September 28th and the assessment is due October 28th. The amount of the assessment is based on the amount of losses and expenses which have accrued to the date of the assessment, and it is also estimated to raise an amount sufficient to carry the company to the first of the year. Assessments are paid directly to the secretary.

No charge for delinquency in payment of assessments is exacted unless suit for collection is brought.

Insurance in Force

On December 31, 1916, there were 897 policies and \$2,301,773 of insurance in force.

Advance Payment

The company charges in advance a policy fee of one dollar, but makes no other charge except assessments.

Bonds

The treasurer has given a personal bond in the sum of \$3,000 and the secretary has given a similar bond in the sum of \$2,000.

The executive committee is composed of three officers and two directors. Its function is to examine the financial accounts of the company, pass on doubtful applications or other questions referred to it by the secretary, to act for the board of directors in levying assessments and borrowing money, and audit the bills of the directors.

THE CHAUTAUQUA COUNTY PATRONS' FIRE RELIEF
ASSOCIATION

MAYVILLE, N. Y.

Examined to ascertain condition October 5, 1917.

Report dated October 10, 1917.

Examiner: J. H. Middleton.

This company was organized in 1877 and has transacted business continuously since as a co-operative fire insurance company.

Its territory is confined to the county of Chautauqua, and it has been licensed by the Department to transact business as a county assessment corporation.

The only previous examination of the company was made by an examiner of this Department on August 14, 1911.

The assets and liabilities of the company on October 5, 1917, were as follows:

Assets

Cash in bank	\$1,259 24
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Liabilities

Unpaid losses	\$2,924 18
Borrowed money	2,500 00
Total liabilities	\$5,424 18

Method of Business

Policies are issued by the secretary usually for the term of five years.

The principal business of the company is the insurance of farm property. In addition it insures detached dwellings, churches, halls and school houses. All property insured is divided into classes according to its relative hazard, each class paying a different rate of premium and all property being assessed at the same rate.

The company has thirty-five directors whose duty it is to take applications, inspect risks, collect premiums and assessments and assist in the adjustment of losses.

Small losses are adjusted by the local director, but in case of large losses he is assisted by the directors of neighboring granges.

Money is paid out by the secretary by check.

It is the duty of the treasurer to receive orders which have been endorsed by the payee.

It is the rule of the company to not insure over \$7,000 in a single risk, and an inspection of the policy register indicates that this rule has been followed.

The financial accounts of the company are audited by the executive committee who make a written report of their findings.

The company insures automobiles while in buildings which are insurable in the company.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the company and of the board of directors and executive committee and all applications.

Assessments

Assessments are levied annually on April 15th and are due on June 15th. The amount of the assessment is estimated to be sufficient to pay any deficiency in the past year and to be sufficient to pay all losses and expenses until the next June. Assessments are collected by the directors who remit them to the secretary. New members are assessed at the same rate as old members, but are only assessed five times on a five-year policy.

Insurance in Force

On December 31, 1916, there were 5,975 policies and \$14,092,855 of insurance in force.

Advance Payment

The company charges in advance a policy fee of one dollar and a percentage of from one-sixth to one-ninth of 1 per cent according to the class of the property.

Bonds

The treasurer has given a bond in the sum of \$500 with individuals as sureties, and the secretary has given a similar bond in the sum of \$20,000.

The executive committee is composed of the president, the secretary and three directors, whose duty it is to examine the accounts of the company and audit the bills of the directors.

THE CHEMICAL MUTUAL FIRE INSURANCE
COMPANY

BURLINGTON FLATS, N. Y.

Examined to ascertain condition September 1, 1917.

Report dated October 11, 1917.

Examiner: J. H. Middleton.

This company was organized in 1898, and has done business continuously since as an advance premium corporation. Its

present territory is the whole of the State of New York with the exception of those counties in the city of New York.

It has been licensed by the Department as an advance premium corporation.

The only previous examination of the company was made by an examiner of this Department in May, 1911.

The assets and liabilities of the company on September 1, 1917, were as follows:

<i>Assets</i>	
<i>Ledger Assets</i>	
Book value of bonds	\$10,595 52
Mortgage loans	1,000 00
Cash in bank	5,806 22
Agents' balances less than three months due..	2,364 20
Agents' balances over three months due.....	1,554 91
Total	\$21,320 85
<i>Non-Ledger Assets</i>	
Interest accrued on bonds and mortgage loans.....	109 17
Gross assets	\$21,430 02
<i>Deduct Assets Not Admitted</i>	
Agents' balances over three months due.....	\$1,554 91
Book value of ledger assets over market value..	895 52
Total	2,450 43
Net assets	\$18,979 59
<i>Liabilities</i>	
Unpaid losses	\$1,284 09
Unearned premium reserve (Est.)	8,860 13
Officers' salaries accrued	416 67
Total liabilities	\$10,560 89

The assets of the company include the sum of \$10,595.52 invested in bonds. Attached to this report and referred to as "Schedule A" is a list of bonds owned, together with the book, par and market value thereof.

The company has loaned on bond and mortgage the sum of \$1,000. As evidence of the title to the property mortgaged, the

company has filed an affidavit made by its attorney, which states that he has examined the title to the property mortgaged, and that the title is well vested in the mortgagor and that the mortgage given the company constitutes the only lien on the premises mortgaged. The company has also filed an appraisal of such property. It appears that the value assigned in such appraisal is within the limits set by section 16 of the Insurance Law.

Other assets of the company include cash in bank amounting to \$5,806.22 and sums due from agents amounting to \$3,919.11. Of this sum \$1,554.91 is represented by policies written more than three months prior to September 1, and has not, therefore, been allowed as an asset.

Liabilities

The company has unpaid losses amounting to \$1,284.09. There are officers' salaries accrued amounting to \$416.67.

Unearned Premiums

The company keeps no record of unearned premiums. Under the circumstances, there were no means available to the examiner of ascertaining the exact amount of the unearned premium except by listing the premiums on all policies and footing the same. Under the circumstances, the unearned premium reserve was approximated from the annual report by taking into account the difference in insurance in force. I would recommend that the company be required to keep an unearned premium record.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register and minutes of the meetings of the company and of the board of directors and all applications. No record of the proceedings of the executive committee is kept. Certain suggestions were made by the examiner to the officers of the company with reference to improving the company's book-keeping methods, and the officers agreed to adopt such suggestions.

No provision is made by the directors for an examination of the financial records of the company. I would recommend that the board of directors provide for a thorough check of all items of

income and disbursement, as well as an examination of the company's assets, either by a committee of directors or by some competent person who shall report to the board.

Method of Business

Policies are issued by the secretary on applications filed by the various agents. The company does a general business through its agents who are compensated by a commission. The company has never found it necessary to levy an assessment, business having been conducted on the advance premium plan since its organization. Rates in general follow the board rates, although in certain instances such rates are modified by the company's experience.

Conflagration Hazard

No record as such is kept showing the amount of insurance in force in cities and villages. I was unable, therefore, to verify the statement of the officers that none of the conflagration limitations of section 267 of the Insurance Law had been exceeded. To remedy this defect the company has started a card system which will show the amount at risk in various localities in which business is transacted, and, if properly kept up, should assist the officers in underwriting as well as determining whether the company is keeping within the limitations of the law in regard to the amount of insurance at risk in various localities.

Expense of Management

In the year 1916 the ratio of expense of management to premium income, after deducting from such expense all expenses incurred in the inspection of risks and the adjustment of losses and legal expenses connected therewith, was 31 8/10 per cent.

Bonds

The secretary has given a bond in the sum of \$1,000 with individuals as sureties, and the treasurer has given a similar bond in the sum of \$10,000.

Insurance in Force

On September 1, 1917, there were \$2,135,993 of insurance in force.

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THE CLIFTON PARK AND HALFMOON MUTUAL FIRE
INSURANCE ASSOCIATION

MECHANICVILLE, N. Y.

*Examined to ascertain condition May 23, 1918.**Report dated June 4, 1918.**Examiner: J. H. Middleton.*

This company has been licensed by the Department as a town assessment co-operative fire insurance corporation. It was organized in 1878 and has transacted business continuously since in the towns of Clifton Park and Halfmoon in Saratoga county.

The only previous examination of the company was made by an examiner of the Department on May 22, 1912.

The assets and liabilities of the corporation on May 23, 1918, were as follows:

<i>Assets</i>	
Cash in bank	\$369 07
<i>Liabilities</i>	
None	

Method of Business

Policies are issued by the secretary usually for the term of five years. In addition to their regular duties the directors take applications and make surveys, for which services they receive one dollar for each application taken.

The principal business of the company is the insurance of farm property. In addition, however, it insures village dwellings. No classification of risks is made, all property being assessed at the same rate. Money is paid out by the treasurer by check on the order of the president and the secretary.

It is the rule of the company to insure not more than \$3,000 on a single policy, and an inspection of the policy register indicates that this rule is being observed. The secretary states that the largest amount insured in any one risk is \$6,000.

The financial accounts of the company are read at the annual meeting.

Losses are adjusted by an adjusting committee of three or five directors appointed by the president or, in case of disagreement, by the full board of directors.

The company does not insure automobiles nor issue permits for their storage. It is tacitly understood, however, that members are storing them in insured property.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register and minutes of the meetings of the company and of the board of directors and executive committee and all applications.

Assessments

Assessments are levied only when necessary to pay losses. The amount of the assessment is based on the amount of losses and expenses which have accrued to the date of the assessment, and, in addition, it is estimated sometimes to raise a small surplus. Assessments are paid to the treasurer. No charge for delinquency in payment of assessments is exacted unless suit for collection is brought.

Advance Payment

The company charges in advance a policy fee of two dollars but no percentage.

Insurance in Force

On December 31, 1917, there were 491 policies and \$883,615 of insurance in force.

Bonds

The treasurer has given a bond in the amount of \$5,000 with eight directors of the company as sureties.

The executive committee consists of the four officers of the company. Its principal duty is the approval of applications for insurance.

DWELLING HOUSE CO-OPERATIVE FIRE INSURANCE COMPANY OF CAYUGA COUNTY

AUBURN, N. Y.

Examined to ascertain condition April 19, 1918.

Report dated May 6, 1918.

Examiner: J. H. Middleton.

This company was organized in May, 1902, and has transacted business continuously since as a county assessment co-operative fire insurance corporation. It is authorized to transact business in the counties of Cayuga, Tompkins, Cortland, Madison and Onondaga.

The last previous examination of the company was made by an examiner of this Department on October 22, 1913.

The assets and liabilities of the company on April 19, 1918, were as follows:

<i>Assets</i>	
Cash in office	\$41 04
Cash in bank	45 93
Total	\$86 97
<i>Liabilities</i>	
Borrowed money unpaid	\$200 00

Method of Business

Policies are issued by the secretary for the term of three years. The sole business of the company is the insurance of water protected dwellings. All risks are divided into classes according to their relative hazard and the company collects different membership fees thereon.

Applications are taken by agents and directors of the company who inspect the risks and collect premiums. For such services they receive \$1.40 per \$1,000 of new insurance, and \$1.15 per \$1,000 on renewals.

Except in a few instances policies are not in excess of \$2,000 on a single risk. The company has considerable insurance in the

city of Auburn, but the secretary states that it is so scattered that the company cannot become involved in a conflagration.

The accounts of the company are examined by a committee of two policyholders who make a written report of their findings.

The company does not insure automobiles but issues permits to store them in barns attached to the premises insured. No charge is made for such a permit, but the risk is sometimes placed in a higher assessment class.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register and minutes of the meetings of the company and of the board of directors and executive committee and all applications.

Assessments

Assessments are levied only when necessary to pay losses. The amount of the assessment is based on the amount of losses and expenses which have accrued to the date of the assessment. The assessment is figured at a certain proportion of the membership fee. No penalty for delinquency in payment of assessments is exacted unless suit for collection is brought.

The company on May 1, 1918, levied an assessment at twice the amount of the membership fee.

Insurance in Force

On December 31, 1917, there were 299 policies and \$373,458.50 of insurance in force.

Advance Payment

The company charges in advance a percentage of 8 4/10 cents per \$100 of insurance for each year of the policy, and, in addition, a membership fee which varies according to the class of the risk but in no case exceeds two dollars.

Bonds

The treasurer has given a surety bond in the sum of \$500.

The executive committee is composed of the president, the secretary and the treasurer, whose chief function is to examine applications. They also assist in the adjustment of losses.

ERIE AND NIAGARA COUNTY FARMERS' INSURANCE ASSOCIATION

SWORMVILLE, N. Y.

Examined to ascertain condition April 24, 1918.

Report dated May 13, 1918.

Examiner: J. H. Middleton.

This company was organized in June, 1887, as a co-operative fire insurance corporation. It has been licensed by the department as a county assessment company and has authority to transact business in the counties of Erie and Niagara.

The only previous examination of the company was made by an examiner of this Department on June 4, 1912.

The assets and liabilities of the company on April 24, 1918, were as follows:

<i>Assets</i>	
Cash in bank	\$295 50
<i>Liabilities</i>	
Unpaid losses	\$287 17
Borrowed money	2,500 00
Miscellaneous expenses	268 90
Total liabilities	\$3,056 07

Method of Business

Policies are issued by the secretary usually for the term of five years. The principal business of the company is the insurance of farm property. In addition, however, it insures detached dwellings, schools, churches and automobiles. No classification of property is made, all being assessed at the same rate.

The company employs agents to take applications and inspect risks, for which service they receive two dollars in case of new applications and one dollar in case of renewals, and for changes an additional fifty cents. These agents are not in all cases directors. Losses of any considerable amount are adjusted by a board of three appraisers.

Money is paid out by voucher check signed by the treasurer and approved by the president and secretary.

It is the rule of the company to take no single risk in excess of \$7,000 and an inspection of the policy register indicates that this rule is being observed.

The financial accounts of the company are examined by a committee of two directors appointed for such purpose.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register and minutes of the meetings of the company and of the board of directors and executive committee and all applications.

Assessments

Assessments are levied annually in September. The amount of the assessment is estimated to be sufficient to not only pay all losses and expenses which have accrued to the date of the assessment, but to pay for losses and expenses for the balance of the year. New members are assessed for their pro rata share of losses which have been incurred during their period of membership. Persons failing to pay their assessment within the time fixed by the by-laws of the association are taxed an additional 5 per cent. All assessments are collected by collectors appointed for such purpose who receive as compensation for such service 5 per cent of the first \$300 collected and 3 per cent of the balance.

Advance Payment

The company charges to new policyholders a policy fee of two dollars but makes no such charge to old members and charges no percentage.

Insurance in Force

On December 31, 1917, there were 8,445 policies and \$21,480,-750 of insurance in force.

Bonds

The secretary has given a surety bond in the sum of \$2,000 and the treasurer a similar bond in the sum of \$5,000. The collectors give personal bonds with two sureties in double the amount of the assessment to be collected.

The executive committee is composed of the officers and three directors in addition. They meet monthly and pass on all applications and audit bills.

THE ERIE COUNTY FARMERS' FIRE RELIEF ASSOCIATION

NORTH EVANS, N. Y.

Examined to ascertain condition April 22, 1918.

Report dated May 7, 1918.

Examiner: J. H. Middleton.

This company was organized in July, 1879, and has transacted business continually since on the co-operative plan. Its business is confined to the county of Erie, and it has been licensed by the Department as a county assessment corporation. The only previous examination of the company was made by an examiner of this Department on June 5, 1912.

The assets and liabilities of the company on April 22, 1918, were as follows:

<i>Assets</i>		
Cash in bank		\$415 58
<i>Liabilities</i>		
Unpaid losses	\$1,620 05	
Officers' salaries	350 00	
Borrowed money	5,000 00	
Unpaid orders	110 68	
Total liabilities		\$7,080 73

Method of Business

Policies are issued by the secretary, usually for the term of five years. The principal business of the company is the insurance of farm property. In addition, it insures schools, churches and detached village dwellings. The company makes no classification in risks, all policyholders paying the same policy fee and being assessed the same rate. All applications for insurance are taken by the directors who make the survey, collect the policy

fee and assist in the collection of assessments and adjustment of losses. For taking applications the directors are paid two dollars for new applications and one dollar for renewals. All applications are passed on by the executive committee.

It is the rule of the company to insure no more than \$7,000 in a single risk, and an inspection of the policy register indicates that this rule is being observed. The financial accounts of the company are examined by directors duly appointed for that purpose.

Money is paid out by the treasurer on the order of the president and secretary.

The company insures automobiles while on storage, assessing them at the same rate as farm property.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register and minutes of the meetings of the company and of the board of directors and executive committee and all applications.

Assessments

The company levies two assessments each year; one in April and one in October. These assessments are estimated to be sufficient to pay all losses and expenses which have been incurred at the date of the assessment. Assessments are collected by some of the directors who are especially appointed for this purpose. New members are assessed for only their pro rata share of the losses and expenses which have been incurred during their period of membership.

Insurance in Force

On December 31, 1917, there were 2,387 policies and \$5,076,-477 of insurance in force.

Advance Payment

The company collects in advance a policy fee of \$1.50 for new policies and \$1 on renewals.

Bonds

The secretary and treasurer have each given personal bonds with two sureties in the sum of \$5,000, and the president has

given a personal bond in the sum of \$200. Nine of the directors who collect assessments have also given personal bonds in the sum of \$250 each.

The executive committee consists of three directors who are not officers, who receive \$100 per year for their services. They meet every Saturday.

THE FARMERS MUTUAL INDEMNITY ASSOCIATION OF CAYUGA COUNTY

MORAVIA, N. Y.

Examined to ascertain condition April 17, 1918.

Report dated May 6, 1918.

Examiner: J. H. Middleton.

This company was organized and has transacted business continuously since 1879. Its territory is confined to the county of Cayuga, and it has been licensed to transact business as a county assessment co-operative fire insurance corporation. The last previous examination of the company was made by an examiner of the Department on October 22, 1913.

The assets and liabilities of the company on April 17, 1918, were as follows:

<i>Assets</i>	
Cash in bank	\$1,229 83
<i>Liabilities</i>	
Unpaid losses	\$1,980 00
Borrowed money	2,750 00
Unpaid bills	110 00
Total liabilities	\$4,840 00

Method of Business

Policies are issued by the secretary on application taken by the various directors of the company whose duty it is, in addition to taking applications, to inspect risks, collect premiums and assessments and assist in the adjustment of losses. For taking applications the directors receive one dollar for each application taken.

The business of the company is confined to the insurance of farm property and dwellings. All property insured is classified according to the exposure, but all assessments are levied at the same rate.

It is the rule of the company to insure not more than \$7,000 in a single risk, and an inspection of the policy register indicates that this rule is being followed.

The financial accounts of the company are audited by a committee of three policyholders who in the last year have hired an accountant to assist them. This accountant makes a written report of his findings.

The company insures automobiles while on storage, classifying them as farm implements.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register and minutes of the meetings of the members and of the board of directors and executive committee and all applications. The records are well kept and excellently arranged for the purposes of examination.

Assessments

Assessments are usually levied annually on November 1st and are due on December 1st. The amount of the assessment is based on the amount of losses and expenses which have accrued to the date of the levying of the assessment. New members are assessed for only their pro rata share of losses and expenses which have been sustained during their period of membership. Assessments are payable either to the local director or to the secretary, and the company charges 5 per cent for delinquency in payment thereof.

Insurance in Force

On December 31, 1917, there were 1,814 policies and \$3,994,896 of insurance in force.

Advance Payment

The company charges in advance a survey fee of \$1 and, in addition, a percentage of 10 cents on a one-year policy, 16 $\frac{2}{3}$ cents

on a two-year policy, 20 cents on a three-year policy and 30 cents on a five-year policy.

Bonds

The secretary-treasurer has given a bond in the sum of \$4,000 with two individuals as sureties.

The executive committee is composed of the president, the vice-president and the secretary. Its principal function is the levying of assessments.

THE FARMERS MUTUAL INSURANCE COMPANY OF FORT ANN, N. Y.

Examined to ascertain condition September 4, 1917.

Report dated September 7, 1917.

Examiner: J. H. Middleton.

The company was organized and has transacted business since 1898. Its business is confined to the town of Fort Ann in Washington county, and it has been licensed by the Department as a town assessment fire insurance corporation.

The only previous examination of the company was made by an examiner of this Department on September 29, 1911.

The assets and liabilities of the corporation on September 4, 1917, were as follows:

<i>Assets</i>	
Cash in office	\$2 80
Cash in bank	138 80
Total assets	\$141 60
<i>Liabilities</i>	
None	

Method of Business

Policies are issued by the secretary for the term of five years. The principal business of the company is the insurance of farm property. It does, however, insure also schools, churches, summer cottages and detached dwellings.

No classification is made, all policyholders paying the same policy fee and being assessed at the same rate.

The secretary's duties include taking applications, inspecting risks and collecting policy fees and assessments.

Losses are adjusted by the executive committee who also pass on all applications.

All funds of the company are received and disbursed by the secretary who also is the treasurer.

It is the custom of the company to issue no policies in excess of \$3,000, and an inspection of the policy register indicated that this rule has been followed.

The financial accounts of the company are read at the annual meeting.

The company does not issue permits for the storage of automobiles in insured barns. It does not, however, make any objection to such storage of automobiles.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register and minutes of the meetings of the company and of the board of directors and executive committee and all applications.

Assessments

Assessments are levied for each loss unless the company has sufficient money on hand to pay such loss. It is not the custom of the company to borrow money to pay losses. The amount of the assessment is based on the amount of losses which have been sustained to the date of the assessment, and, in addition, it is estimated to raise \$100 more. Assessments are paid to the secretary. No penalty is exacted for delinquency in payment of assessments.

Insurance in Force

On December 31, 1916, there were 302 policies and \$414,310 of insurance in force.

Advance Payment

The company charges in advance a policy fee of two dollars.

Bonds

The secretary-treasurer has given a personal bond in the sum of \$4,000.

In lieu of a salary the secretary receives \$1.50 for each application taken, 75 cents for changing a policy and one cent for each policy assessed.

The executive committee consists of the three officers and three directors.

THE GERMAN-AMERICAN MUTUAL FIRE INSURANCE
ASSOCIATION OF NIAGARA COUNTY, N. Y.

MARTINSVILLE, N. Y.

Examined to ascertain condition April 23, 1918.

Report dated May 8, 1918.

Examiner: J. H. Middleton.

This company was organized in May, 1896, and has transacted business continuously since as a co-operative fire insurance corporation. It has been licensed by the Department as a county assessment corporation, and has authority to transact business in the counties of Niagara, Erie and Orleans.

The only previous examination of the company was made by an examiner of this Department on September 6, 1912.

The assets and liabilities of the company on April 23, 1918, were as follows:

<i>Assets</i>	
Cash in bank	\$91 80
Office building	500 00
Total assets	<u>\$591 80</u>
<i>Liabilities</i>	
Unpaid losses	\$70 00
Borrowed money	1,500 00
Total liabilities	<u>\$1,570 00</u>

Assets

The principal asset of the corporation is its office building located in the village of Martinsville, N. Y. This building is valued by the company at \$500, and such valuation seemed to the examiner to be a reasonable one. The company has recently **had a search made of the title**, and its attorney has examined this search and, after considerable difficulty, has cleared up a slight defect which existed in the title. The company also has on deposit in a local bank the sum of \$91.80. This item has been verified by the customary voucher.

Method of Business

Policies are issued by the secretary usually for the term of five years. The principal business of the company is the insurance of farm property. In addition, however, it insures dwellings, churches, schools, stores, hotels and small factories.

For the purpose of levying assessments the property insured is divided into classes. The first class consists of dwellings and farm property; the second class consists of hotels and is assessed at 50 cents per \$100 of insurance in addition to the assessment levied on the first class. The company has recently added a third class consisting of water protected property which is assessed at 20 per cent less than the first class.

It is the duty of the directors of the company to take applications, inspect risks, collect premiums and assessments and assist in the adjustment of losses. For taking the application the director receives the membership fee.

The funds of the company are paid out by the treasurer by check on the order of the president and secretary.

It is the rule of the company that no more than \$7,000 shall be insured in any one risk, and an inspection of the policy register indicates that this rule is being followed.

The financial accounts of the company are examined annually by a committee composed of two directors who make a written report of their findings.

The company insures automobiles while on storage, charging the same rate of assessment thereon as the building in which they are stored.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register and minutes of the meetings of the company and of the board of directors and executive committee and all applications.

Assessments

Assessments are levied annually, usually on September 1st. The amount of the assessment is based on the amount of losses and expenses which have been incurred to the date of the assessment and it is estimated also to raise a small surplus. Assessments are collected by directors appointed for that purpose who receive 5 per cent where the amount collected is less than \$100, and 2 per cent for over that amount. New members are assessed at the same rate as old members.

Insurance in Force

On December 31, 1917, there were 1,721 policies and \$3,294,230 of insurance in force.

Advance Payment

The company charges a policy fee of 25 cents and a percentage of 5 cents per \$100 of insurance. From new members it also collects a sum based on the amount of the previous assessment and estimated to be pro rata thereof.

Bonds

The treasurer has given a bond in the sum of \$5,000 with individuals as sureties. The directors who collect assessments also give similar bonds varying in amount according to the amount of the assessment to be collected.

By way of salary the president receives \$3 for attending the annual meeting and \$1 for each other meeting. The secretary receives 25 cents for each policy issued, \$3 a day for settling losses, and fees for other work in proportion to the time spent.

The executive committee is composed of the four officers and one director in addition.

JEFFERSON COUNTY PATRONS' FIRE RELIEF ASSOCIATION

WATERTOWN, N. Y.

Examined to ascertain condition August 22, 1917.

Report dated September 10, 1917.

Examiner: J. H. Middleton.

This company began business in May, 1877, and has transacted business continuously since as a co-operative fire insurance company.

Its business is confined to the counties of Jefferson and Lewis and it has been licensed by this Department as a county assessment corporation.

The only previous examination of the company was made by an examiner of this Department on June 19, 1911.

The assets and liabilities of the company on August 22, 1917, were as follows:

<i>Assets</i>	
Cash in office	\$438 83
Cash in bank	13,092 01
Total assets	<u>\$13,530 84</u>
<i>Liabilities</i>	
Unpaid losses	<u>\$17 00</u>

Method of Business

Policies are issued by the secretary usually for the term of five years.

The principal business of the company is the insurance of farm property. It does, however, insure also grange halls and a few detached dwellings.

Property is divided into two classes according to whether occupied by owner or tenant.

Property occupied by tenants is charged a percentage one-third higher than that occupied by owners.

It is the duty of the directors of the company to take applications, inspect risks, collect premiums and assessments and assist in the adjustment of losses.

For taking applications the directors receive a fee of two dollars.

Losses are adjusted by the company's adjusters who are appointed for that purpose, except very small losses, which are adjusted by the local director.

Money is paid out by the treasurer on the order of the president and secretary.

It is the rule of the company to insure only \$2,000 on any single building and \$500 on the contents thereof, and an inspection of the policy register indicated that this rule is observed.

The financial accounts of the company are examined by a committee of three members.

The company issues permits for the storage of automobiles in barns, charging therefor 30 cents per \$100 of insurance on such barn for the term of five years. The company, however, urges the policyholders to build garages.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register and minutes of the meetings of the company and of the board of directors and executive committee and all applications.

Assessments

Assessments are levied annually, the amount thereof being based on the previous year's loss experience, but the company aims to keep on hand a surplus of approximately \$1,000 for each million dollars of insurance in force.

All assessments are paid to the local director and by him to the secretary.

A penalty of 5 per cent is added in case a member fails to pay his assessment in thirty days.

New members are charged the same rate of assessment as old members.

Insurance in Force

On December 31, 1916, there were 7,154 policies and \$17,977,-789 of insurance in force.

Advance Payment

The company charges in advance a policy fee of \$1 and a percentage of 20 cents per \$100 of insurance on property in the

first class, and 30 cents per \$100 of insurance on property in the second class.

Bonds

The treasurer has given a surety bond in the sum of \$20,000, and the secretary has given a personal bond in the sum of \$5,000.

THE MERCHANTS CO-OPERATIVE FIRE INSURANCE ASSOCIATION OF CENTRAL NEW YORK

ILION, N. Y.

Examined to ascertain condition May 20, 1918.

Report dated June 19, 1918.

Examiner: J. H. Middleton.

This company has been licensed by the Department as an advance premium co-operative fire insurance corporation. It has transacted business on this plan continuously since August, 1894. Its business is confined to the counties of Otsego, Herkimer, Oneida, Madison, Lewis and Jefferson.

The last previous examination of the company was made by an examiner of this Department on July 29, 1912.

The assets and liabilities of the corporation on May 20, 1918, were as follows:

Assets

Ledger Assets

Cash in office	\$217 54	
Cash in bank	2, 213 12	
Book value of bonds	12, 755 60	
Total		\$15, 186 26

Non-Ledger Assets

Interest accrued on ledger assets.....	224 25	
		\$15, 410 51
Book value of bonds in excess of market value.....	5 60	
		\$15, 404 91

<i>Liabilities</i>		
Unpaid losses (estimated)	\$1,275 00	
Unearned premium reserve	2,504 44	
Total liabilities		\$3,779 44

Assets

The principal asset of the corporation is the sum of \$12,755.60 invested in bonds. This is composed of three items as follows: First Liberty Loan, \$3,000; Pennsylvania Company 4½ per cent gold loan of 1915 due 1921, \$5,000 par value; Great Northern Railway Company 5 per cent collateral trust gold notes due 1920, \$5,000 par value. The Pennsylvania Company bonds have been valued by the Department at 97, and the Great Northern at 98. The Liberty Loan bonds were valued at par.

The company had on deposit in two local banks the sum of \$2,213.12. This item has been verified by the customary voucher. There was also cash in the hands of the secretary, which was counted, amounting to \$217.54.

Liabilities

The company owes for losses the sum of \$1,275. This item has been estimated as some of the losses had not yet been adjusted. The company's unearned premium reserve as of December 31, 1917, was used since it keeps no unearned premium record, and it is difficult, as will be shown later on, to obtain the necessary information from its policy register.

Method of Business

All policies are issued by the secretary who, in connection with the executive committee, passes on all risks. Practically all policies are for the term of one year.

The company employs no agents, the secretary soliciting all risks and making all inspections and doing practically all loss adjusting.

The principal business of the company is the insurance of stores. In addition, however, it insures some factories and dwellings.

The company charges in advance a premium based usually on the "Board Rates." At the last annual meeting the directors

voted to charge a rate estimated to be 70 per cent of the "Board Rates." At the end of the year it is the custom of the company to declare a dividend, the amount of which is based on the savings of the year.

The company usually confines the amount it will insure in one risk to \$2,000, but there are a few policies in excess of this amount where the property has water protection.

Two directors of the company make an examination of its financial accounts and make a written report thereon.

Records

In accordance with the requirements of the by-laws, the secretary keeps a record of the transactions of the company and of the board of directors. The company, however, uses no applications. The policy register of the company is defective in that it is unnecessarily complicated and somewhat inaccurate. I would recommend that the secretary be required to change the form of such policy register.

The company holds its annual meeting in November, at which time the secretary closes his books and makes an annual statement. This annual meeting coming so near the close of the year unnecessarily complicates the company's bookkeeping. Unless there is some good reason for the annual meeting being held at this time, it would seem that the company might well change its meeting to some time after the first of the year so that the company's fiscal year and the calendar year would be coincident.

Expense of Management

During the year 1917 the ratio of expense of management to premium income, after deducting from such expense any expenses incurred in the inspection of risks and the adjustment of losses and legal expenses connected therewith was 32.7 per cent.

Conflagration Hazard

The company keeps no record of the amount of insurance in force in any city or village, and I was unable, therefore, to verify the company's statement that this provision of the law had not been violated. The secretary states, however, that he has

personally inspected all risks in force in the company and frequently visits all cities and villages in which the company has insurance at risk, and knows from his own knowledge that the law has not been violated.

Insurance in Force

On December 31, 1917, there were 261 policies and \$372,500 of insurance in force.

Bonds

No officer of the company has given bond.

NIAGARA AND ERIE COUNTY FARMER'S PROTECTIVE ASSOCIATION

WENDELVILLE, N. Y.

Examined to ascertain condition April 22, 1918.

Report dated May 7, 1918.

Examiner: J. H. Middleton.

This company was organized in January, 1889, as a co-operative fire insurance corporation and has transacted business continuously since. It has been licensed by the Department as a county assessment corporation, and is authorized to transact business in the counties of Erie and Niagara.

The only previous official examination of the company was made by an examiner of the Department on September 6, 1912.

The assets and liabilities of the company on April 22, 1918, were as follows:

<i>Assets</i>	
Cash in treasurer's hands.....	\$27 84
Cash in bank.....	1, 207 92
Total assets	<u>\$1, 235 76</u>
<i>Liabilities</i>	
Unpaid losses	\$975 00
Borrowed money	3, 100 00
Total liabilities	<u>\$4, 075 00</u>

Method of Business

Policies are issued by the secretary usually for the term of five years. The principal business of the company is the insurance of farm property. It also insures detached village dwellings, schools, churches, stores, factories, hotels and saloons.

Property is divided into two classes. The first class consists of farm, school and church property and is assessed at a flat rate, and the second class consists of all other property and is assessed at double the flat rate.

It is the duty of the directors of the company to take applications, inspect risks, collect policy fees and assessments and assist in the adjustment of losses. For taking applications the directors are paid \$1.50 for each new application taken, and \$1 for renewals and 60 cents for a change in a policy.

Money is paid out by the treasurer by cheque.

Small losses are adjusted by the local agent, but large losses are adjusted by the local agent and appraisers.

The largest amount insured in a single risk appears to be \$7,000.

The accounts of the company are examined by the Board of Directors.

The company insures automobiles, classifying them as farm property.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the members and of the Board of Directors and Executive Committee and all applications.

Assessments

Assessments are levied annually about October 1st. The amount of the assessment is based on the amount of money which the company has borrowed to pay losses and expenses, and it is usually estimated to raise in addition a small amount.

New members who have been in the company six months are assessed at the same rate as old members, but members who have been in the company less than six months are not assessed.

Assessments are collected by the directors who receive for this service 5 per cent up to \$500 and 3 per cent thereafter.

A penalty for delinquency in payment of assessments of 10 per cent is exacted.

Insurance in Force

On December 31, 1917, there were 1,525 policies and \$3,404,-648 of insurance in force.

Advance Payment

The company collects in advance a policy fee of \$1.50 but no percentage.

Bonds

The treasurer has given a bond in the sum of \$1,000 with two individuals as sureties, and the secretary has given a similar bond in the amount of \$500. The collectors give a bond in double the amount of assessments to be collected by them.

ONTARIO COUNTY PATRONS' FIRE RELIEF
ASSOCIATION

CANANDAIGUA, N. Y.

Examined to ascertain condition October 15, 1917.

Report dated October 19, 1917.

Examiner: J. H. Middleton.

This company was organized in June, 1887, and has transacted business continuously since as a county assessment fire insurance corporation. Its territory is confined to the county of Ontario.

The only previous examination of the company was made by an examiner of the Department on October 31, 1912.

The assets and liabilities of the corporation on October 15,, 1917, were as follows:

<i>Assets</i>	
Cash in bank	\$500 40

Liabilities

None.

Method of Business

Policies are issued by the secretary usually for the term of five years. The principal business of the company is the insurance of farm property. It does, however, insure a few detached dwellings. No classification of risks is made, all policyholders being assessed at the same rate.

Practically all the business of the company is transacted through its directors who inspect risks and take applications, collect premiums and assessments and assist in the adjustment of losses.

For taking applications the directors receive \$1.50 for each application taken.

All losses are adjusted by the executive committee, except in case of small losses the local director acts. Money is paid out by the treasurer on the order of the president and secretary.

The financial accounts of the company are examined annually by a committee of directors appointed for that purpose.

There are a number of policies in force in excess of \$7,000, and the secretary states that in all such cases a careful examination has been made to make sure that no more than \$7,000 is exposed in a single hazard.

The company issues permits for the storage of automobiles in insured buildings and makes no charge therefor. It also insures automobiles while on storage in insured buildings on the same basis as farm tools.

Records

In accordance with the requirements of the by-laws the secretary keeps a policy register, minutes of the meetings of the company and of the board of directors and all applications.

Assessments

Assessments are levied only when necessary to pay losses. The amount of the assessment is based on the amount of losses and expenses which have accrued to the date of the assessment, and a sum sufficient to pay the estimated losses for a period of perhaps six months is added. It is the custom of the company to assess new members at the same rate as old members regardless of the length of time in which members have been in the company. All policyholders are assessed at the same rate, no classification being

made in regard to the hazard. Assessments are collected by the directors and transmitted to the treasurer. No penalty for delinquency in payment of assessments is exacted unless suit for collection is brought.

Insurance in Force

On December 31, 1916, there were 1,721 policies and \$5,918,-465 of insurance in force.

Advance Payment

The company charges in advance a policy fee of \$1 and a percentage of 10 cents for each \$100 of insurance.

Bonds

The treasurer has given a surety insurance bond for \$6,000.

THE OTSEGO MUTUAL FIRE INSURANCE COMPANY

BURLINGTON FLATS, N. Y.

Examined to ascertain condition September 1, 1917.

Report dated January 23, 1918.

Examiner: J. H. Middleton.

This company was organized in 1897, and has done business continuously since as an advance premium co-operative fire insurance corporation. Its present territory is the whole of the State of New York with the exception of those counties in the city of New York.

It has been licensed by the Department as an advance premium corporation.

The only previous examination of the company was made by an examiner of this Department in May, 1911.

The assets and liabilities of the company on September 1, 1917, were as follows:

<i>Ledger Assets</i>	
Mortgage loans on real estate.....	\$8,150 00
Book value of bonds.....	15,998 72
Book value of stocks.....	4,330 00

Cash in bank	5,406 12	
Agents' balances less than three months due..	6,827 74	
Agents' balances over three months due.....	3,243 20	
		\$43,955 78

Non-Ledger Assets

Interest accrued on bonds and mortgages.....		326 77
Total assets		\$44,282 55

Deduct Assets Not Admitted

Agents' balances over three months due.....	\$3,243 20	
Book value of bonds over market value.....	4,641 72	
		\$7,884 92

Liabilities

Losses	\$2,468 33	
Unearned premium reserve (Est.).....	31,057 80	
Officers' salaries accrued	1,133 34	
Total liabilities		\$34,659 47

Assets

The assets of the company include the sum of \$15,998.72 invested in bonds. Attached to this report and referred to as "Schedule A" is a list of bonds owned together with the book, par and market values thereof. There is also invested in stocks the sum of \$4,330. Attached hereto and referred to as "Schedule B" is a list of stocks owned together with the book value and market value thereof.

The company has loaned on bond and mortgage the sum of \$8,150. As evidence of the title to the properties mortgaged, the company has filed an affidavit made by its attorney, which states that he has examined the titles to the property mortgaged, and that the title to each of the parcels of real estate so mortgaged is well vested in the mortgagor; and that the mortgage given the company constitutes the only lien on the premises mortgaged. The company has filed an affidavit, made by members of its executive committee, which sets forth that they are familiar with the various properties mortgaged and know the value thereof. It appears that the values assigned in such affidavit are within the limits set by section 16 of the Insurance Law.

Other assets of the company include cash in bank amounting to \$5,406.12, and sums due from agents amounting to \$10,070.94.

Of this sum \$3,243.20 is represented by policies written more than three months prior to September 1st and have not, therefore, been allowed as an asset.

Liabilities

The company has unpaid losses amounting to \$2,468.33. There are officers' salaries accrued amounting to \$1,133.34.

Unearned Premiums

The company keeps no record of unearned premiums. Under the circumstances, there were no means available to the examiner of ascertaining the exact amount of the unearned premium except by listing the premiums on all policies and footing the same. Under the circumstances, the unearned premium reserve was approximated from the annual report by taking into account the difference in insurance in force. I would recommend that the company be required to keep an unearned premium record.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register and minutes of the meetings of the company and of the board of directors and all applications. No record of the proceedings of the executive committee is kept. This omission was pointed out at the last previous examination, but no action appears to have been taken with reference to it. Certain suggestions were made by the examiner to the officers of the company with reference to improving the company's bookkeeping methods, and the officers agreed to adopt such suggestions.

No provision is made by the Directors for an examination of the financial records of the company. I would recommend that the Board of Directors provide for a thorough check of all items of income and disbursement, as well as an examination of the company's assets, either by a committee of Directors or by some competent person who shall report to the Board.

Method of Business

Policies are issued by the secretary on applications filed by the various agents. The company does a general business through its

agents who are compensated by a commission. The company has never found it necessary to levy an assessment, business having been conducted on the advance premium plan since its organization. Rates in general follow the Board Rates, although in certain instances such rates are modified by the company's experience.

Conflagration Hazard

No record as such is kept showing the amount of insurance in force in cities and villages. I was unable, therefore, to verify the statement of the officers that none of the conflagration limitations of section 267 of the Insurance Law had been exceeded. To remedy this defect the company has started a card system which will show the amount at risk in various localities in which business is transacted, and, if properly kept up, should assist the officers in underwriting as well as determining whether the company is keeping within the limitations of the law in regard to the amount of insurance at risk in various localities.

Expense of Management

In the year 1916, the ratio of expense of management to premium income, after deducting from such expense all expenses incurred in the inspection of risks and the adjustment of losses and legal expenses connected therewith, was 31 per cent.

Bonds

The secretary has given a bond in the sum of \$2,000 with individuals as sureties, and the treasurer has given a similar bond in the sum of \$10,000.

PATRONS OF INDUSTRY FIRE INSURANCE COM-
PANY OF ONONDAGA AND OSWEGO
COUNTIES, NEW YORK

PARISH, N. Y.

Examined to ascertain condition September 13, 1917.

Report dated September 17, 1917.

Examiner: J. H. Middleton.

This company was organized in 1899 and has since transacted business as a co-operative fire insurance corporation.

Its territory is limited to the counties of Onondaga, Oswego and Jefferson.

It has been licensed by the Department as a county assessment corporation.

The only previous examination of the company was made by an Examiner of the Department on June 3, 1912.

The assets and liabilities of the corporation on September 13, 1917, were as follows:

<i>Assets</i>	
Cash in office	\$20 12
Cash in bank	186 47
Total assets	\$206 59
<i>Liabilities</i>	
Borrowed money unpaid	\$925 00

Method of Business

Policies are issued by the secretary for the term of three years.

The principal business of the company is the insurance of farm property. It does, however, insure churches, schools, detached dwellings and a few stores.

For the purpose of levying assessments and charging advance premiums, property is divided into three classes according to its relative hazard.

Applications are taken by the directors who receive \$1 for each survey made.

Losses are adjusted by the executive committee except in the case of very small losses which are adjusted by the local director.

The rule of the company is to insure not in excess of \$4,000 in a single risk and this rule appears, from an inspection of the policy register, to be adhered to.

Money is paid out by the treasurer by check on the order of the president and secretary.

The financial accounts of the secretary and treasurer are examined by the executive committee.

The company permits the storage of automobiles in insured barns in case such barns have a cement floor. Permits for such storage are issued but no fee is charged therefor.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register and minutes of the meetings of the company and of the board of directors and executive committee and all applications.

Assessments

Assessments are levied annually on May 1st. All property is classified. The first class, which includes farm property, is assessed at a flat rate; the second class, which includes schools, churches and halls, at one and one-half times the flat rate; the third class, which consists of stores, is assessed at five times the flat rate.

The amount of the assessment is based on the amount of losses and expenses which have accrued to the date of the assessment.

Assessments are paid to the directors and by them transmitted to the secretary.

If assessments are not paid within the time specified in the notice, 20 per cent is added to the amount of the assessment.

Advance Payment

The company collects in advance a policy fee of \$1.25 and a percentage of 10 cents per \$100 of insurance on first class property, and 15 cents per \$100 of insurance on second class property.

Bonds

The treasurer has given a personal bond in the sum of \$7,000.

In lieu of a salary the secretary receives 25 cents for each policy written, and the treasurer receives one per cent on money collected and paid out.

PITTSTOWN CO-OPERATIVE FIRE INSURANCE
COMPANY

PITTSTOWN, N. Y.

Examined to ascertain condition August 1, 1917.

Report dated August 27, 1917.

Examiner: J. H. Middleton.

This company began business on January 9, 1911, and took over the business of an existing company. It has been licensed by the Department as an assessment corporation and is authorized to transact business in all of the towns of Rensselaer county.

The only previous examination of the company was made by an examiner of this Department on July 24, 1912.

The assets and liabilities of the company on August 1, 1917, were as follows:

<i>Assets</i>	
Cash in bank	\$1 41
<i>Liabilities</i>	
Unpaid losses	\$4,750 00

Method of Business

Policies are issued by the secretary usually for the term of five years.

The principal business of the company is the insurance of farm property. It insures, however, also schools, churches, stores and factories. For the purpose of levying assessments property is divided into two classes. The second class, which is composed chiefly of stores and factories, is assessed at double the rate of the first class.

Applications are taken by agents who inspect the risk and collect the policy fee. For this work the agents are paid a fee of one dollar for each application taken.

Losses are adjusted by the board of directors.

Money is paid out by check by the treasurer. It is the rule of the company to limit the amount of insurance on a single risk to \$6,000, and an inspection of the policy register indicated that this rule was being followed.

The company allows automobiles to be stored in insured buildings.

The accounts of the treasurer are read at the annual meeting.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register and minutes of the meetings of the company and of the board of directors and all applications.

Assessments

Assessments are levied only when necessary to pay losses. The amount of the assessment is based on the amount of losses and expenses which have accrued to the date of the assessment, and it is sometimes estimated to raise also a sum for future expenses.

Assessments are paid to the directors or to two special financial agents appointed to receive them.

New members are assessed for only their pro rata share of the losses and expenses during their period of membership in the company.

Insurance in Force

On December 31, 1916, there were 356 policies and \$765,265 of insurance of force.

Advance Payment

The company charges in advance a policy fee of \$1.50 but no percentage.

Bonds

No officer of the company has given bond.

ST. LAWRENCE COUNTY PATRONS' FIRE RELIEF
ASSOCIATION

MOIRA, N. Y.

*Examined to ascertain condition August 24, 1917.**Report dated September 8, 1917.**Examiner: J. H. Middleton.*

This company began business in February, 1902, and has transacted business continuously since as a co-operative fire insurance corporation. Its business is confined to the counties of St. Lawrence and Franklin, and it has been licensed by the Department as a county assessment corporation.

The only previous examination of the company was made by an examiner of this Department on June 22, 1911.

The assets and liabilities of the company on August 24, 1917, were as follows:

<i>Assets</i>		
Cash in bank		\$929 26
<i>Liabilities</i>		
Borrowed money	\$13,300 00	
Unpaid losses	5,996 20	
Total liabilities		\$29,296 20

Method of Business

The principal business of the company is the insurance of farm property. In addition, however, it insures detached dwellings and grange halls.

No classification of property is made, all policyholders paying the same advance charge and being assessed at the same rate.

Applications are taken by the directors of the company who inspect risks, collect premiums and assessments and assist in the adjustment of losses.

For each application taken the directors receive one dollar, and five cents per mile traveled.

Losses less than \$100 are adjusted by the local director, but those in excess of \$100 are adjusted by the secretary and two directors.

The money is paid out by the treasurer on the order of the secretary, except that small bills are paid by the secretary from his current receipts.

An examination of the policy register indicates that no policies are in force in excess of \$7,000 on a single risk.

The financial accounts of the company are examined by a finance committee composed of three directors.

The company issues permits for the storage of automobiles in barns in which no hay is stored and makes no charge for such permits.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register and minutes of the meetings of the company and of the board of directors and executive committee and all applications.

Assessments

Assessments are levied annually on October 15th to pay the losses and expenses of the year which have accrued. It is the custom of the company to borrow money during the year to pay losses, and an assessment sufficient in amount to meet all borrowed money is levied, and it is estimated in addition to create a slight surplus.

Assessments are paid either directly to the secretary or to the local directors. New members are assessed only for their pro rata share of losses and expenses which have accrued during their period of membership.

No penalty for delinquency in payment of assessments is exacted.

Insurance in Force

On December 31, 1916, there were 5,185 policies and \$13,-276,720 of insurance in force.

Advance Payment

The company charges in advance a policy fee of \$1 and a percentage of 10 cents per \$100 of insurance.

Bonds

The secretary and treasurer have each given a bond in the sum of \$5,000 with individuals as sureties.

STERLING FIRE INSURANCE COMPANY

COBLESKILL, N. Y.

Examined to ascertain condition April 1, 1918.

Report dated April 16, 1918.

Examiner: J. H. Middleton.

This company was organized and incorporated in October, 1915, under the name of the "Schoharie and Otsego Mutual Fire Insurance Company." Its business has been extended from time to time until it now has authority to transact business in all of the counties of the State outside of those embraced in the city of New York.

It has been licensed by the Department as an advance premium co-operative fire insurance corporation. On June 25, 1910, the name of the company was changed to its present title. The last previous examination of the company was made by an examiner of this Department on November 6, 1913.

The assets and liabilities of the company on April 1, 1918, were as follows:

<i>Ledger Assets</i>	
Cash in bank not at interest.....	\$4,755 57
Cash in bank at interest.....	18,500 00
Book value of bonds.....	9,848 56
Agents' balances less than three months due..	6,770 01
Agents' balances over three months due.....	2,343 78
Total ledger assets.....	\$42,217 92
<i>Non-Ledger Assets</i>	
Interest accrued on cash in bank.....	\$157 50
Interest accrued on bonds.....	36 67
Market value of bonds over book value.....	111 44
Total non-ledger assets	305 61
Gross assets	\$42,523 53

Deduct Assets Not Admitted

Agents' balances over three months due.....	2,343 78
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Net assets	\$40,179 75
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Liabilities

Unpaid losses	\$1,715 00
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Unearned premium reserve	23,814 70
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Sundries ..	154 10
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Total liabilities	\$25,683 80
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	\$14,495 95
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Assets

The principal asset of the corporation is the sum of \$23,255.57, which is deposited in the bank to its credit. Of this sum \$18,500 bears interest and is deposited as follows:

Granville National Bank, Granville, N. Y.....	\$2,500
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Albany County Savings Institution, Albany, N. Y.	2,500
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National Savings Bank, N. Y.....	2,500
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Farmers' and Merchants' Bank, Cobleskill, N. Y.	11,000
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The last item is in the form of certificates of deposit, which bear interest at 4 per cent. All items of cash in bank have been verified by the customary voucher. The company has purchased bonds as follows:

Second Liberty Loan	\$5,903 56
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Philadelphia Electric Co. 6's of 1920	3,945 00
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The liberty bonds have been valued by the Department at par and the short term notes at 99.

The only other asset of the corporation is the sum of \$9,113.79, agents' balances. Of this sum \$2,343.78 is represented by policies written more than three months prior to the date of examination, and has, therefore, been deducted as an asset not admitted.

Liabilities

The company has outstanding losses amounting to \$1,715 and minor items amounting to \$279.10. Its reserve is estimated at \$23,814.70, and has been computed as follows:

<i>Year written</i>	<i>Term</i>	<i>Premiums in force</i>	<i>Unearned fraction</i>	<i>Unearned premium</i>
March 1, 1917 to March 1, 1918...	1 year	\$18,017 19	$\frac{1}{2}$	\$9,008 59
March 1, 1915 to March 1, 1916...	3 years	10,731 90	$\frac{1}{6}$	1,788 65
March 1, 1916 to March 1, 1917...	3 years	12,916 94	$\frac{1}{2}$	6,458 47
March 1, 1917 to March 1, 1918...	3 years	15,015 19	$\frac{5}{6}$	12,512 66
				\$27,768 39
				\$23,814 70

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register and minutes of the meetings of the company and of the board of directors and executive committee and all applications. All records of the company are well kept and excellently arranged for the purpose of examination.

Expense of Management

In the year 1917 the ratio of expense of management to premium income, after deducting from such expense all expenses incurred in the inspection of risks and the adjustment of losses and legal expenses connected therewith, was 34 5/10 per cent.

Conflagration Hazard

In all agencies where a considerable amount of business is transacted the company has Sanborn maps on which a record is kept of the amount of insurance in force in the various blocks, by which the secretary is enabled to ascertain the amount at risk in congested districts.

Bonds

The treasurer has given a personal bond in the sum of \$10,000 with five individuals as sureties.

SUFFOLK AND NASSAU PATRONS' CO-OPERATIVE
FIRE ASSOCIATION

PORT JEFFERSON, N. Y.

*Examined to ascertain condition January 14, 1918.**Report dated January 14, 1918.**Examiner: J. H. Middleton.*

A declaration has been submitted to the Department by the required number of persons, which states that they intend to form a county co-operative fire insurance corporation to transact business on the assessment plan, and the Attorney-General has approved such declaration. The president and secretary of the above-mentioned company have submitted the statements provided for in section 263 of the Insurance Law. This statement recites that applications for insurance amounting to \$217,980 have been made in good faith on property located in the county of Suffolk.

I have examined these applications for insurance and find that the names, addresses and amounts of insurance applied for, as enumerated in the above-mentioned statement, are correct, and that the amount of insurance applied for is sufficient to meet the requirements of sections 262 and 263 of the Insurance Law.

WEST SENECA MUTUAL FIRE INSURANCE
ASSOCIATION

EBENEZER, N. Y.

*Examined to ascertain condition April 22, 1918.**Report dated May 10, 1918.**Examiner: J. H. Middleton.*

This company was organized in April, 1894, as a co-operative fire insurance company and has transacted business continuously since. A certificate has been issued to it by the Department

authorizing it to engage in business as an advance premium corporation in the county of Erie. As a matter of fact, however, the business of the company is confined largely to five towns of Erie county.

The only previous examination of the company was made by an examiner of this Department on September 1, 1912.

The assets and liabilities of the company on April 22, 1918, were as follows:

<i>Assets</i>	
Cash in bank	\$4,533 08
<i>Liabilities</i>	
Unearned premium reserve	\$2,410 83

Method of Business

Policies are issued by the secretary for the terms of one and three years. The company insures farm property, village dwellings, schools, churches, stores and factories. The rates are made by the company but in general are lower than "Board Rates." The risks insured are inspected by a special committee appointed by the president for that purpose, and losses are adjusted similarly by a committee appointed by the president.

Applications for insurance are taken by agents who receive 15 per cent of the premium for such services on new policies only. They receive nothing on renewals. It is the rule of the company to take no more than \$5,000 in a single risk on farm property, and \$3,000 on other property. An inspection of the policy register indicates that this rule is being observed.

The financial accounts of the company are examined by a committee of three directors appointed for that purpose.

The company does not insure automobiles.

Records

In accordance with the provisions of the by-laws, the secretary keeps a policy register and minutes of the meetings of the company and of the board of directors and executive committee.

Conflagration Hazard

The company does not keep any record regarding the conflagration hazard, but the business of the company is so small

in volume and confined to so small an area that the secretary is personally familiar with all risks of the company and is able from his own knowledge to avoid violating the conflagration limitations of section 267 of the Insurance Law.

Expense of Management

During the year 1917 the ratio of expense of management to premium income was 30 per cent.

Insurance in Force

On December 31, 1917, there were 397 policies and \$504,033.25 of insurance in force.

Bonds

The secretary has given a surety bond in the sum of \$500, and the treasurer a similar bond in the sum of \$5,000.

Stock and Mutual Life Insurance Companies

AMERICAN UNION LIFE INSURANCE COMPANY

NEW YORK CITY

Examined as to status of certain policies.

Report dated January 18, 1918.

Examiner: Charles A. Kirchgessner.

Acting under your appointment No. 4317, dated January 16, 1918, I have examined and checked the "consents" signed by the policyholders of the American Union Life Insurance Company, to the assumption of their policies by the Pittsburgh Life and Trust Company in 1907. These policies had previously been assumed by the Security Trust and Life Insurance Company in the liquidation of the American Union Life.

The policies involved in this check consisted only of policies in force on May 7, 1917, the date on which the Pittsburgh Life and Trust Company's business was assumed by the Metropolitan Life Insurance Company of New York. According to the official valuation register of the Pittsburgh Life and Trust Company which was used as a basis, there were 271 policies of the American Union Life in force on May 7, 1917, involving \$338,928 of insurance, with a reserve value as of December 31, 1917, amounting to \$108,135.

Two hundred and forty-two policyholders with policies aggregating \$320,843 of insurance with a reserve value of \$100,201 signified their consent to the assumption by the Pittsburgh Life and Trust by signing the following form:

PITTSBURGH LIFE AND TRUST COMPANY,
Pittsburgh, Pa.

GENTLEMEN.—I have this day received assumption certificate issued by the Pittsburgh Life and Trust Company, under which said company assumes the liabilities under my policy issued by the Security Trust and Life Insurance Company. I hereby assent to said assumption.

Date.....

Policy No.....

A schedule of these items, used in the examination, is on file in the Insurance Department at New York city.

To identify these consents "American Union Life Insurance Company" was rubber stamped somewhere on their face.

When signing these consents the policyholders received the following certificate to be attached to their policies, also rubber stamped as above.

The Pittsburgh Life and Trust Company having by a contract entered into on the 17th day of September, 1906, reinsured all the outstanding risks of the Security Trust and Life Company, and it appearing that policy No. issued on the life of was outstanding on that date, this is to certify that the said Pittsburgh Life and Trust Company hereby assumes all liability under this policy the same as if it had been originally issued by this company.

IN WITNESS WHEREOF, The Pittsburgh Life and Trust Company hereto affixes its seal this day of nineteen hundred and seven.

.....
President

.....Secretary

Eighteen policyholders who failed to sign the above consent forms have since presumably acquiesced in the assumption by signing "lien certificates" in the following form, authorizing the Metropolitan Life to place a lien on their policies. These eighteen policies involve \$14,092 of insurance with a reserve value of \$5,848 and liens totaling \$1,922.

New York, 5-7-1917

Policy No. issued by the American Union Life Insurance Company and assumed by the Pittsburgh Life and Trust Company of Pittsburgh, Pa.

Name of Insured

Amount of lien

The undersigned owner and holder of the above policy, authorizes the Metropolitan Life Insurance Company to place a lien against such policy in the amount of dollars and cents.

This lien together with interest thereon at the rate of four per centum per annum is to be deducted from any payment made by the Metropolitan Life Insurance Company, pursuant to the terms of said policy, or from any settlement made thereunder, or from the value used to purchase any paid-up or continued insurance, except that should the insured die within five years from May 7, 1917, the Metropolitan will, if the policy be then in force, waive the aforesaid lien, subject however, to the deduction of any accrued and unpaid interest on such lien.

IN WITNESS WHEREOF I have hereunto set my hand this day of 1917.

..... Witness Insured

Ten policyholders have failed to acquiesce in the assumption either by the Pittsburgh Life or the Metropolitan Life, due to the letters enclosing the forms of consent being returned by the postal authorities as unclaimed or unlocatable, and others not replying to the said letters.

One policyholder refused to sign in 1907 and did not reply to the company's last letter in 1911.

These eleven policies involve insurance to the amount of \$3,993 with a reserve value of \$2,086 and are all small paid-up life policies.

THE EQUITABLE LIFE ASSURANCE SOCIETY OF THE UNITED STATES

NEW YORK CITY

Examined on mutualization.

Report dated January 4, 1918.

Examiner: Nelson B. Hadley.

In accordance with your instructions we have made an examination of the financial condition of the Equitable Life Assurance Society for the purpose of advising you as to the society's condition and financial ability to carry out the mutualization plan without impairing the reserves of the society. The attached statement of assets, liabilities and surplus as of December 31, 1917, has been checked and the substantial accuracy of the same has been verified by your examiners. The bonds and stocks made up the other items investigated. After careful investigation we are satisfied that the surplus, \$14,378,564, set forth in such statement is approximately correct.

Assets

Real estate	\$20, 083, 446
Mortgage loans	112, 276, 391
Policy loans	92, 600, 000
Collateral loans	65, 000
War liens	85, 000
Bonds	315, 114, 222
Stocks	17, 762, 721

Cash and miscellaneous balances.....	9,616,000	
Interest and rents due and acerued.....	7,300,000	
Due and unpaid and deferred premiums.....	6,500,000	
		\$582,102,780
Assets not admitted		4,809,216
Total admitted assets		\$577,293,564

Liabilities

Reserve	\$473,175,000	
Policy claims	4,250,000	
Dividends due policyholders	1,200,000	
All other liabilities	6,740,000	
Capital stock	100,000	
Dividend fund	76,450,000	
Reserve for possible error	1,000,000	
Surplus	14,378,564	
		\$577,293,564

THE LIFE REINSURANCE CORPORATION OF NEW
YORK

NEW YORK CITY

Examined on organization.

Report dated September 26, 1917.

Examiner: Isaac Fuld.

METROPOLITAN LIFE INSURANCE COMPANY

NEW YORK CITY

Examined to ascertain condition December 31, 1915.

Report dated July 21, 1917.

Examiner: Nelson B. Hadley.

Pursuant to appointment No. 3947 bearing date of November 1, 1915, we have completed the regular triennial examination of the Metropolitan Life Insurance Company, 1 Madison avenue,

New York city. The examination was made as at December 31, 1915, and there follows the report covering the work of such examination.

The preceding examination was made as at December 31, 1912. Since then the company has availed itself of the provisions of section 95 of the Insurance Law to buy in its outstanding stock and become a mutual company. As provided by the section, the company directors, at a meeting held November 6, 1914, adopted a plan for the acquisition of the shares of the capital stock. This plan called for the payment of the sum of \$75 for each share the par value of which was \$25. The plan also provided for its submission to and approval by the stockholders and policyholders, and its approval in writing by the Superintendent of Insurance, as required by the section. From the time of this action by the directors, the Insurance Department was in touch with the various steps necessary to secure the company's mutualization. A representative of the Department was appointed by the Superintendent to receive and have charge of the ballots and proxies received from policyholders. At the policyholders' meeting at which the plan was submitted for their approval, the work of canvassing the votes cast was under the direction of three inspectors of election appointed by the Superintendent of Insurance. The directors and stockholders having approved, and the majority of votes cast by those policyholders entitled to vote having been in favor of its adoption, the plan was then submitted to the Superintendent of Insurance, and his written approval thereto secured. Prior to the granting of this approval, an examination of the assets and liabilities of the company had been made by the Insurance Department. The money called for by the plan was duly deposited as therein provided and the capital stock retired. We have examined the certificates of stock, compared same with the company's stock ledger, and find that certificates for the entire 80,000 shares outstanding have been acquired, as provided in the plan of mutualization, and are now in the custody of the company at its home office, each certificate duly stamped as having been so acquired.

Subsequently, the company was reincorporated as a mutual company pursuant to the provisions of section 52 of the New York

Insurance Law. This charter was executed January 6, 1915, and approved the same day by the Superintendent of Insurance. The same corporate powers heretofore exercised as a stock company are retained in the new articles of incorporation. Changes were made as to separation of accounts between departments. The two departments, ordinary and industrial, are still to be maintained and separate books and accounts kept for each. Investments, however, are not required to be separated between departments. Directors are to be elected biennially in odd years.

The by-laws were also changed following mutualization and reincorporation. In place of two standing committees, Finance and Auditing, there are now six, as follows:

1, Finance, 6 members; 2, Real Estate, 4 members; 3, Auditing, 4 members; 4, Insurance and Agency, 4 members; 5, Home Office, 4 members; 6, Welfare, 5 members.

The president of the company is ex-officio member of all committees except the Auditing Committee. These committees are required to keep a record of their proceedings, and report at each meeting of the Board of Directors. The presence of an officer to be appointed by the president is required at the various committee meetings.

The Real Estate Committee has charge of the company's investments in bonds and mortgages, including supervision and sale of real estate acquired as a result of such bond and mortgage investments. These duties were formerly entrusted to the Finance Committee.

The Insurance and Agency Committee has supervision of plans and policies of insurance to be issued, the appointment of superintendents, assistant superintendents, deputies and inspectors, the terms of their contracts, and the prescription of territories and districts.

The Home Office Committee has supervision of the employees of the Home Office and Pacific Coast head office, their care, compensation, etc.

The Welfare Committee supervises the company's sanatorium, the dispensary, clinic, dentistry department and other welfare service.

Changes made in the new charter, more particularly with

reference to the separation of accounts between Departments, enabled the company to alter its former methods of accounting. The changes thus made were put into effect the beginning of the current year (1916).

While the departmental subdivisions are still maintained, a controlling set of books has been installed in charge of the company's auditor, whereby the transactions of all Departments are centralized and one set of records maintained wherefrom the condition of the company, so far as ledger figures are concerned, can be ascertained without the former necessity of resource to the different Departments. Furthermore, as allowed by the new charter, all invested assets are now carried in its general ledger, and not specifically allocated to any one Department. This general set of books supplements the existing records, reports transactions in a consolidated form, and serves as a control upon the records of the separate Departments.

Assets were transferred from the departmental ledgers to the general ledger at their book value as at December 31, 1915, and the respective Departments credited therefor. In the case of securities in default, the book value was adjusted before the transfer so as to be the same as the market value. In the case of real estate owned, one parcel (City of Vancouver) formerly owned by the Ordinary Department, was written down \$738.27 on the Ordinary books before transfer. The Home Office Building and Home Office Annex were written down \$5,000,000 and \$550,136.05 respectively in December. This adjustment was prorated between the Ordinary and Industrial Departments and the Intermediate Branch before the transfer. The result was a credit balance of real estate transferred to the general account by the Ordinary Department and Intermediate Branch, and the book value in the Industrial Department adjusted by the deduction of its share only of the writing down of these two parcels. Inasmuch as this write-off was made as at December 31, 1915, after mutualization and change in the charter providing joint ownership, but before the opening of the new general ledger, it was probably the only way in which the transaction could have been handled in order to make the Ordinary Department and Intermediate Branch bear their share of the adjustment of the former Industrial asset.

INVESTMENT CONTRIBUTION ACCOUNT

Upon the opening of the general set of books, each Department was credited with its interest in the total business as represented by the book value of the ledger assets then transferred by the different Departments to the general books. In other words, the Investment Contribution Account of each Department at the beginning of the year was an amount which equalled that Department's ledger assets of a general nature over ledger liabilities of a general nature. Each Department retained as an asset their Department assets such as temporary loans to policyholders, premium liens, premium loans, etc.

To or from these respective balances or the undivided shares thus established at the beginning of the year are daily added or deducted the difference over or under between items of direct receipts and disbursements. From these day to day balances is computed an average daily balance for the month. At the end of the month the general disbursements are pro-rated between the Departments on the various bases authorized by the Board of Directors, and the share of each department in such general disbursements charged to it. The average daily balance of each Department made up as first described, by taking into consideration daily charges of items of direct receipts and disbursements, is then modified by deducting therefrom the average daily share of each Department in the items of general disbursements. The resulting average daily balance forms the basis of the monthly apportionment of income from ledger assets.

Inasmuch as the ledger assets at the end of the previous year, plus or minus the difference between receipts and disbursements for the year, equals the ledger assets at the end of the year, it is apparent that this method of distributing income from ledger assets between Departments is based upon the share of each Department in the general ledger assets of the company, such share being called the Investment Contribution Account.

This statement is not strictly accurate for months other than December, because of certain general accounts heretofore described which are adjusted but once a year, at the end of December. In effect, however, share in general ledger assets is the basis for the distribution of income from ledger assets of the company.

The adjustment of general expenses made monthly is according to various bases adopted by the Board of Directors each year. These bases for 1916 are practically the same as those in use during 1915 which are described elsewhere in this report. In 1915, however, the adjustment was made for the entire year at the end of the year. Under the new system, if the basis is premium income, the premiums received from each of the respective Departments for the twelve months' period ending with the preceding month are used in computing the respective percentages. If compensation of field or office employees is the basis, the percentages are worked out from the amount expended for the twelve months preceding the current month. To secure the percentage of number of clerks, the numbers employed in each Department for the third week of the current month are used.

ADVANTAGES OF THE NEW SYSTEM

It is claimed for the changed system that the invested assets are now consolidated in one ledger; that the home office bank accounts are consolidated; that there is now in one place a complete book record of the combined operations of all Departments of the company; that the company can produce complete monthly statements; that the system of control facilitates the detection of errors; that expenses are distributed between Departments each month; that there is a greater uniformity and standardization of methods and books between the different Departments.

Adjustment of General Expenses

The investigation of the bases of expense adjustments between Departments was confined to disbursements for the year 1915. Prior to January 1, 1916, it was the practice of the company to earmark its different assets as the sole property of one of the three Departments, Ordinary, Intermediate or Industrial. It followed that items of income, not only premiums, but also returns from invested assets, could be and were directly credited to that Department to which the source of such income belonged.

As to disbursements, however, it was the practice at the end of the year to make adjustments of various disbursement items not possible of direct charge to one or another of the Departments,

so as to show the proportionate share of each Department in the disbursement. The principal items thus adjusted included rents of district and home offices, part of the salaries at the home office, and certain miscellaneous home office expenses — laundry, restaurant, postage, express, etc. As elsewhere described, the new set of books started in January of the current year (1916) is on the theory that all assets shall be owned jointly by the several Departments; also under the new system adjustments of expenses are made monthly instead of at the end of the year. The bases for general expense adjustments, however, remain practically the same as those used in 1915, and therefore these 1915 bases may properly be used as a measure by which to judge the correctness of such adjustments between Departments.

We have endeavored to make such analysis of the adjustment of 1915 disbursements as will serve as a basis for some conclusion as to the reasonable fairness of apportionment between Departments. These 1915 disbursements (exclusive of disability Department) amounted to \$97,076,849.94. Analysis of the ledger accounts making up this total disbursement shows that there were charged directly to one Department or another, without adjustment, \$81,713,451.77; there were adjusted between Departments \$15,363,398.17. A table showing such subdivision between the three Departments and the Pacific Coast Industrial Department, together with percentages, follows:

	<i>Direct</i>		<i>Adjusted</i>		<i>Total</i>	
P. C., home office, industrial.....	90.205%	.....	9.795%	.....	100%	.....
Industrial.....	\$1,934,850.63	2.368%	\$210,093.62	1.367%	\$2,144,944.25	21.21 %
Ordinary.....	84.524%	.....	15.476%	.....	.....	.....
Intermediate.....	52,090,191.39	63.747%	9,537,820.26	62.082%	61,628,011.65	63.481%
	81.742%	.....	18.258%	.....	.....	.....
	17,531,493.45	21.455%	3,915,789.86	25.488%	21,447,283.31	22.093%
	85.665%	.....	14.335%	.....	.....	.....
	10,156,916.30	12.430%	1,699,694.43	11.063%	11,856,610.73	12.213%
	84.174%	.....	15.826%	.....	100%	.....
	\$81,713,451.77	100%	\$15,363,398.17	100%	\$97,076,849.94	100%

Included in these total disbursements were some \$16,000,000 to cover 1. Premium paid for retiring the capital stock (\$4,000,000); 2. Adjustment of real estate book value (\$5,550,136.05); 3. Adjustment of bonds (\$6,624,374.93).

The first of these two items were pro-rated between Departments. The bases of subdivision were:

	<i>Industrial</i>	<i>Ordinary</i>	<i>Intermediate</i>
Premium on capital stock.....	68.767%	29.567%	1.666%
Real estate.....	54.59 %	28.85 %	16.56 %

Before mutualization, the real estate so written down was allocated to and owned by the Industrial Department. For a number of years the company had been writing down the book value of the real estate and charging same to the Industrial Department because of its ownership. In 1915, after mutualization and the change in charter providing for common ownership of assets, the property was written down to its assessed value, and the charge shared as above by the three Departments.

In former years, the capital stock of \$2,000,000 as required by the old charter, had been treated as due from the industrial business. For the same reason dividend payments on this stock were made out of industrial earnings. The par value of this stock retired to secure mutualization was charged against the Industrial Department. The premium of \$4,000,000 paid in addition to the par value to secure the retirement of the capital stock was pro-rated and charged in part to each of the three Departments.

The writing down of book value of bonds, while directly chargeable under the old system to the various Departments owning such bonds, may be considered of an unusually large amount in 1915, due to outside business conditions. Such conditions were not altogether normal, and therefore, in any attempt to arrive at any general conclusions based upon average transactions, such writing down may well be disregarded.

Eliminating these three classes of disbursements, the figures will be—

	<i>Direct</i>	<i>Adjusted</i>	<i>Total</i>
P. C., home office, industrial.....	90.205% 1,934,850.63	9.795% 210,093.62	100% 2,144,944.25
Home office, industrial.....	92.024% 46,996,931.75	7.976% 4,073,339.99	100% 51,070,270.74
Ordinary.....	93.568% 16,466,971.10	6.432% 1,131,906.61	100% 17,598,877.71
Intermediate.....	96.056 9,690,323.36	3.944% 397,922.90	100% 10,088,246.26
	92.814% 75,089,076.84	7.186% 5,813,262.12	100% 80,902,338.96
Proof.....			16,174,510.98
			\$97,076,849.94

The second table shows that the average portion of the normal disbursements charged direct is almost 93 per cent of the total disbursements, and the disbursements subject to adjustment a trifle over 7 per cent. In the industrial department, the subdivision is 92 per cent and 8 per cent; and in the ordinary department $93\frac{1}{2}$ per cent and $6\frac{1}{2}$ per cent; in the intermediate branch 96 per cent and 4 per cent. The same result is secured by reading the percentages down the column. The average subdivision between Departments, exclusive of the Pacific Coast Head Office, is Industrial 63 per cent, Ordinary $21\frac{3}{4}$ per cent, and Intermediate $12\frac{1}{2}$ per cent. The direct disbursements are subdivided into Industrial Department $62\frac{1}{2}$ per cent, Ordinary Department $21\frac{9}{10}$ per cent, and Intermediate $12\frac{9}{10}$ per cent; for the adjusted charges the subdivision is Industrial Department 70 per cent, Ordinary $19\frac{1}{2}$ per cent, Intermediate Branch 7 per cent. That is, the Ordinary and Intermediate adjusted accounts are less, and the Industrial greater than the average subdivision of all accounts.

It might be supposed in the adjustment of items totaling such a large amount, and also in the direct charge of other items totaling even a larger amount, that after the respective totals were gathered together and set up the percentage basis, there would be some uniformity or average percentage of adjusted and of direct items respectively in each Department, and also of the percentage of each of the two classes of charges when divided among the three Departments. Were this the case, the company's work of subdivision and apportionment could be simplified very materially. The nature of the business in each Department is so different, however, and the different items require adjustment on such different bases, that as indicated by the foregoing table, no satisfactory results or conclusions can be reached from this inductive method of reasoning. That is, the percentages of direct charges in each Department, or the percentages of adjusted charges in each Department, will not be the same as the percentages of all disbursements divided between the Departments; neither will the percentages of all direct charges and of all adjusted charges be the same as the percentages of direct and of adjusted charges in either of the three Departments.

The other method, and apparently the only method from which to base conclusions, involves the analysis of each separate item subdivided between Departments in an effort to determine the accuracy of the basis of subdivision. The items adjusted are many, and vary in amount from a few dollars to millions. Likewise, the bases for adjustment vary. We have grouped the larger part of the adjusted items in four divisions — these are:

1. Basis of premium income (applied to the majority of the executive officers' salaries and rents);
2. Basis of number of clerks (applied to certain home office general expenses);
3. Arbitrary percentage 85% industrial, balance between ordinary department and intermediate branch, according to premium income;
4. Miscellaneous.

These subdivisions, and the items adjusted, are as follows:

	<i>Per Cent.</i>	<i>Per Cent.</i>	<i>Per Cent.</i>
	59.06	26.46	14.47
		64.65	35.35
1. PREMIUM INCOME:			
	<i>Industrial</i>	<i>Ordinary</i>	<i>Intermediate</i>
Salaries	\$523,524 38	\$249,019 02	\$137,280 76
		33,987 80	18,584 20
Rents	102,797 04	46,072 43	25,185 79
Expenses, miscellaneous	101,361 60	65,963 76	36,675 66
Advertising and subscription....	33,659 29	11,677 64	6,403 55
Legal expenses	13,875 44	6,377 77	3,499 19
Supervisors, part of	11,757 66	5,269 65	2,880 69
Legislative expense	6,137 28	2,791 42	1,527 51
Association Life Presidents.....		10,488 72	5,735 11
Taxes, part	5,369 45	2,406 53	1,315 54
Election directors	777 96	355 55	192 33
(\$1,472,950.72)	\$779,260 10	\$434,410 29	\$239,280 33
2. BASIS OF CLERKS:			
H. O.—71.33—17.10—11.57:			
Rent	\$59,220 94	\$16,252 00	\$11,606 51
Restaurant	148,227 53	40,834 48	28,029 43
Salaries	28,491 02	6,830 18	4,621 35
Miscellaneous expenses	10,068 76	2,482 14	1,685 79
Laundry	2,002 27	548 50	371 12
All clerks — 74.27 — 16.29 — 9.44:			
Sanitorium	190,743 64	28,787 36	16,682 17
Sundry expenses	570 74	143 13	82 93

	<i>Industrial</i>	<i>Ordinary</i>	<i>Intermediate</i>
Field clerks — 77.76 — 14.46 — 7.78:			
Disability insurance, etc.....	78,438 65	15,218 79	8,185 58
(\$720,825.01)	\$538,463 55	\$111,096 58	\$71,264 88
3. 85% IND.—PREM. INC. ORD. & INT.			
District Office expense.....	\$1,017,451 54	\$119,292 04	\$65,751 42
Rent	397,531 09	45,353 62	24,798 93
Furniture	23,199 38	2,646 78	1,447 23
(\$1,697,472.03)	\$1,438,182 01	\$167,292 44	\$91,997 58
4. MISCELLANEOUS.			
Salaries	67.21		
	18.92		
	13.87	\$410,660 96	\$115,629 11
Ordinary	52.75		\$84,769 87
Intermediate	47.25	77,080 43	69,027 42
Staff savings fund.....	81.		
	11.		
	8.	110,841 03	15,321 30
Rents	75.51		11,142 76
	14.98		
	9.51	102,198 60	20,270 73
Audit rents	97.50		12,879 98
	1.25		
	1.25	107,993 34	1,384 53
Ordinary and Intermediate rents	50.00		1,384 54
	50.00	31,022 83	31,180 13
Building expense, per cent, rent	63.76		
	21.37		
	14.87	62,665 05	33,707 40
Mutualization expense	74.02		23,879 08
	24.		
	1.98	54,638 85	22,288 92
Postage	42.		1,838 83
	24.		
	34.	46,100 50	28,156 43
Express	65.		39,888 29
	25.		
	10.	27,957 94	15,591 43
Inspectors	75.		6,236 58
	15.		
	10.	45,645 12	9,951 54
Bronx storage	6,668 37	1,495 99	6,634 36
			997 33

		<i>Industrial</i>	<i>Ordinary</i>	<i>Intermediate</i>
Photo bureau, work done..	14.7			
	51.3			
	34.0	2, 851 68	10, 651 54	6, 595 72
Death certificates	1/3			
	1/3			
	1/3	1, 240 31	1, 182 42	1, 182 42
Supervisors	25.			
	50.			
	25.	1, 040 00	2, 080 00	1, 040 00
Federal income, tax, ord...	99.71			
Int.	.29	.....	15,082 87	43 87
Per cent increase in surplus		58.36%	23.86%	17.78%
(\$1,680,120.37)		\$980, 501 75	\$400, 897 44	\$298, 721 18
Total above (\$5,571,368.13)		\$3, 756, 407 41	\$1, 113, 696 75	\$701, 263 97
Adjusted per schedule.....		3, 757, 327 99	1, 131, 906 61	713, 933 90
(\$6,603,168.50)		=====	=====	=====

These adjustments cover only part of such items as salaries, rents, postage, etc. Where any part of such item can be directly charged to a certain Department, no adjustment is necessary.

1. *Premium Income:*

Disbursements adjusted on this basis are mainly the salaries of the executive officers and rent of the space occupied by them and their staffs so far as the same cannot be directly charged to one or another of the three Departments. Miscellaneous expenses so adjusted include conventions, adding machines, typewriters, etc., investment expenses, repairs to furniture, home office travel, telephones, telegrams and numerous small items. The items adjusted on this basis are admittedly difficult of allocation between Departments. How much of an executive officer's time, for instance, should be chargeable against this or that Department? It would seem, however, that the care and conduct, methods and character of the business of the several Departments are so different that amounts of premium received therefrom would not form the best basis for the division of expenses. This fact is apparently recognized by the company, for in the memorandum (page 2) submitted by the company to the Insurance Department, outlining the proposed plan of computing dividends, we find under subdivision

(b) \$5,000 whole life policies, in support of the company's adopting a lower expense factor per \$1,000 insurance, that it was "because the minimum policy is \$5,000, and it is reasonable to assume that the home office expense is largely conditioned upon the number of policies making up the total amount of insurance."

Granting that the expenses divided on the basis of premium income are of such a nature as to require subdivision on some general basis only, it would seem that such basis should take into consideration the factor discussed in the 1909 examination (printed report page 90), namely, number of policies in each Department.

Taking the mean of the percentages of premium income, and the mean number of policies in force, will give the following percentages: industrial, 75.22; ordinary, 15.14; intermediate, 9.64.

It will be noticed that these percentages very closely approximate those of the subdivision by number of clerks found in the preceding second subdivision. This may only be a coincidence, but would seem to indicate that failing a more scientific basis of apportionment, it better represents an equitable basis for adjustment than does that of percentages of premium income. Use of this percentage basis would result in the following changes in apportionment:

	<i>Industrial Department</i>	<i>Ordinary Department</i>	<i>Intermediate Branch</i>
Premium income basis.....	\$799,260 10	\$434,410 29	\$239,280 33
Mean of policies and premiums..	1,107,953 52	223,004 74	141,992 46
Difference	\$308,693 42	—\$211,405 55	—\$97,287 87

2. *Basis of Clerks:*

In this classification different percentages are used. For the restaurant and for certain home office salaries and rents, the percentages of home office clerks are the basis; for the sanatorium, percentages of compensation of all clerks, field and office; for disability insurance and field medical examinations percentages of field clerks. Probably these different bases give as accurate results as can be secured.

3. 85 per cent Industrial Premium Income between Ordinary and Intermediate:

This classification calls for a division 85 per cent to the industrial, 9.70 to the ordinary, 5.30 to the intermediate. Two large items so divided are rent of district office and district office expenses.

It is rather difficult to discuss the question of rent apportionment in view of the fact of never having visited a district office, and in view of the consequent lack of information as to the physical layout of the average district office, the daily program of work done, subdivision of office space occupied by agents, etc. Probably were the company conducting solely an industrial business of the same volume as at present, it would require for the transaction of such business approximately the same amount of space as is now occupied. On the other hand, were it only engaged in ordinary and intermediate business, it is equally probable that fewer offices and smaller could be used. Under the present subdivision, undoubtedly each Department is saving in rent over what would be spent if either were the sole business of the company.

It has not been the practice of the company to analyze its district office expenses. This general item covers clerks' salaries, light, heat, janitor service, travel expenses, etc. Since the first of this year (1916) the company has analyzed these figures. This analysis shows for the six months ended June 30, 1916, the following subdivisions:

Clerks	\$359,879 60
Sundry allowance	44,023 15
Janitor	8,945 65
Light, heat and fuel	9,337 08
Removal expense	13,620 33
Telephone	12,555 66
Travel and hotel	177,416 98
District meeting	42,000 42
Office equipment and supplies	15,402 60
Examination prospective agents	7,329 03
Sundries	10,014 26
Total	\$700,524 76

The sum total of these items is divided between Departments on the basis of 85 per cent to the industrial, and the balance between ordinary and intermediate on the basis of their respective premium income. As in the case of rent, we do not know just the nature of the service performed, the reasons for travel, etc., for which these disbursements were made. If it is largely the duty of the clerical force to make up the weekly reports and handle the transactions between the home office and the District, it would seem to follow that the subdivision of clerk hire resulting from charging the Industrial Department with 85 per cent thereof is rather high. This because of the fact that agents' industrial accounts deal only with totals and not policies. In the case of travel and hotel expenses also, as well as the general disbursement for sundry allowance, it would seem that the present subdivision overcharges the Industrial Department. As a suggestion only, the following subdivision has been made by the examiners. Even though such re-grouping may not be in every item consistent, we have tried to avoid such refinement of subdivisions as would entail an amount of home office work inconsistent with the benefits to be derived therefrom.

(1) Clerk hire	\$359,879 60		
Sundry allowances	44,023 15		
Travel and hotel	165,340 28		
			\$569,243 03
(2) Janitor	\$8,945 65		
Telephone	12,555 66		
Light, heat and fuel	9,337 08		
Removal	13,620 33		
District meeting	42,000 42		
Office equipment	15,402 60		
Sundries	10,014 26		
Examination agents	7,329 03		
			\$119,205 03
	<i>Industrial</i>	<i>Ordinary</i>	<i>Intermediate</i>
	75%	15%	10%
Divided (1)	\$426,932 27	\$85,386 46	\$56,924 30
Direct travel		6,063 73	6,012 97
	\$426,932 27	\$91,450 19	\$62,937 27
(2)	85%	9.6975%	5.3025%
	\$101,324 28	\$11,559 91	\$6,320 84
	\$528,256 55	\$103,010 10	\$69,258 11
(Total \$700,524.76).			

Eliminating the ordinary and intermediate direct charges, which can be identified, and subdividing the balance on the basis used by the company, the result will be as follows:

Total	\$700,524 76		
Less ordinary and intermediate.....	12,076 70		
			\$688,448 06
	<i>Industrial</i>	<i>Ordinary</i>	<i>Intermediate</i>
	85%	9.6975%	5.3025%
	\$585,180 85	\$66,762 25	\$36,504 96
Direct		6,063 73	6,012 97
	\$585,180 85	\$72,825 98	\$42,517 93
Proposed division	528,256 55	103,010 10	69,258 11
Difference	—\$56,924 30	+\$30,184 12	+\$26,730 18
For year multiply by two.....	—\$113,848 60	+\$60,368 24	+\$53,460 36

As negating these conclusions, more particularly with reference to district office clerk hire, our attention is called to the company's practice of requiring district superintendents to pay a part of the salary of district clerks. The amount of the payment by the superintendent depends on the amount of Ordinary renewal commissions. Payments range from \$1 per week where the commissions amount to from \$500 to \$1,000, increasing \$1 for each additional \$500 commission, to \$17 in cases where the commissions amount to over \$7,000. That is, as to ordinary and intermediate business, the district superintendent is in the position of a general agent, and required to pay for the clerical expense of caring for this business in return for renewal interest and collection charges which he receives. If we assume an average of \$1 per week per \$500 commissions, these payments would amount to some \$200,000 for the year; but even if we cut this estimate in half, to \$100,000, it would more than equal the amount of clerk hire paid by the company apportioned to the ordinary and intermediate Departments. So far as renewals then, the ordinary and intermediate business may be practically free of cost to the company at the district office, and the 15 per cent of clerk hire now charged to those Departments may be sufficient to cover clerk hire in connection with new business.

Before leaving the subject of district office expenses, we must also consider a disbursement item not adjusted, but charged entirely to the Industrial Department. The item is Compensation of Superintendents \$707,325.80, and Assistant Superintendents \$1,678,340.61. At first glance it would appear that in this charge the Industrial Department is discriminated against. In an endeavor to discover the facts we have analyzed the earnings for 1915 of several superintendents and deputies. Filed with the working papers are sheets showing the superintendents' earnings in Section H. In addition to subdivision of income between industrial and ordinary, these sheets also show the number of deputies and agents assigned to each superintendent. There were 43 superintendents in this territory whose earnings covered the full twelve months of 1915. Their total earnings ranged from \$1,858.01 for Lexington—whose superintendent had two deputies and 19 agents—up to \$11,513.53 for Cincinnati—whose superintendent had five deputies and 44 agents. Of the 43 superintendents, 26 received Industrial salaries of \$1,300 per year; 7 more, salaries of \$1,040 each, and the balance received amounts varying from \$420 (for Columbus) up to \$1,320 (Covington). In addition bonuses were paid based upon increase in industrial business ranging from \$58.98 (Wheeling) up to \$912.38 (Cleveland), and averaging about \$300 per district. In addition to this industrial compensation the superintendents received commission and collection fees on their own and agents' writings on ordinary and intermediate business. The business of superintendents in two districts of Section II were analyzed and show as follows:

	<i>Cincinnati</i>	<i>Piqua</i>
Industrial salary	\$1,300 00	\$1,300 00
Industrial bonus	809 38	96 60
First year ordinary and intermediate commissions—personal writing	957 54	41 30
Agents' writing	622 66	57 41
Renewals, personal	653 95	.....
Renewals, agents'	7,170 00	388 58
Total income	\$11,513 53	\$1,883 89
Deputies and assistants	5	1
Agents	44	8

A somewhat similar analysis of earnings of a superintendent and three deputies was made as follows:

	<i>Superintendent, Syracuse</i>	<i>Deputy Norris- town, Pa.</i>	<i>Deputy, Yale, Conn.</i>	<i>Deputy, Lake View</i>
Industrial salary.....	\$2,600 00	\$1,275 04	\$1,300 00	\$1,158 04
Industrial bonus.....	927 48	76 34	209 96	216 17
Commissions -- personal.....	148 52	1,102 89	574 60	1,745 89
Commissions -- agents.....	6,628 07	321 41	389 74	458 33
Total earnings.....	\$10,304 07	\$2,775 68	\$2,471 30	\$3,578 43

An analysis was also made of the earnings of certain superintendents in different territories selected at random. With the exception of four cases the industrial salaries paid do not exceed \$2,601, and the average was smaller. The four exceptions were found to be due to contracts made several years ago which called for salaries larger than the average, out of which the superintendent was to pay his office expenses and clerk hire. These four cases were:

Voshell, Brooklyn, salary.....	\$11,035 76	Total earnings.....	\$19,747 95
Voshell, Baltimore, salary.....	8,882 57	Total earnings.....	13,386 50
Dolph, Washington, salary.....	4,420 00	Total earnings.....	10,279 58
McHardy, New Orleans, salary.....	4,542 01	Total earnings.....	6,657 49

The rent and office expense of districts in the larger cities investigated would apparently run from \$5,000 up, and bearing this in mind, it will be seen that with the exception of the Brooklyn contract, these salaries are not greatly in excess of the payments called for under the usual contracts now made with superintendents. The only point is that were there many of them, the charging of such payments entirely to the Industrial Department would be unfair, as the amounts payable under these contracts are in lieu of the home office paying the district office rent and clerk hire, which, under the current contracts, are paid by the company and prorated between departments.

In all the districts examined it would appear that the industrial salaries are to a certain extent nominal, and not made with any particular reference to the work of the district or the number of deputies or agents in charge of the superintendent. For

instance, in Boston one superintendent receiving an industrial salary of \$1,300 was in charge of 6 deputies and 48 agents, and his total earnings for 1915 amounted to \$8,403.07. In the same city another superintendent received a salary of \$1,560 — \$260 more than his co-worker — had 5 deputies and 47 agents, and his total earnings for the year were \$11,459.25. In Taunton, with 1 deputy and 27 agents, the superintendent's salary was \$1,404, and his total earnings \$5,466.65; in Buffalo, with 6 deputies and 45 agents the salary was \$1,300, and the superintendent's total earnings \$9,765.88. Industrial earnings are, of course, partially equalized by industrial bonuses, but even taking these into consideration, it would seem that the industrial salaries paid superintendents do not bear any close relationship to the size of the district, number of agents, etc. It would also seem, more especially in the case of the larger districts, that the industrial salaries of the superintendents are less than would have to be paid men of such calibre were it not for their personal commissions and overriding and collection charges received from the ordinary and intermediate business. There is filed herewith a schedule of first year and renewal commissions and collection charges allowed in ordinary and industrial business to superintendents, assistants and agents.

The result, then, of these analyses would seem to justify the conclusion that no discrimination against the industrial business exists by reason of the charging of superintendents' and deputies' salaries entirely to the industrial department. On the contrary, it would appear that were it not for the ordinary and intermediate departments, this charge would be larger than it is.

(4) *Miscellaneous:*

Of a total of over five and a half million dollars disbursements adjusted, some \$1,700,000 was apportioned in 1915 on varying bases. The average in 1915 for all these disbursements was industrial, 58.36 per cent; ordinary, 23.86 per cent, and intermediate, 17.78 per cent. About half of this amount was home office salaries.

Claim division salaries, some \$87,000, were apportioned 14/16 to the industrial, and 1/16 each to the ordinary and intermediate

departments. This has been the basis for several years. On the basis of claims paid, the industrial department appears to be undercharged, the percentages being, for numbers of claims — industrial, 94 per cent; ordinary, 3 per cent; intermediate, 3 per cent; on the basis of amount paid the percentages were: Industrial, 63 per cent; ordinary, 25 per cent, intermediate, 12 per cent; on the basis of the mean of the two the present subdivision is substantially correct as to the industrial department, but as between ordinary and intermediate the ordinary is undercharged. The same condition applies to claim division rents, which in 1915 amounted to about \$9,750.

In the stenographic bureau stenographers' salaries (about \$74,000) are divided 60 per cent, 20 per cent and 20 per cent; medical division, correspondents, clerks and stenographers (\$19,000) are divided $63\frac{1}{3}$ per cent, 20 per cent and $16\frac{2}{3}$ per cent; the mailing and pneumatic tube division salaries (\$35,000) are divided 42 per cent, 24 per cent and 34 per cent. The same percentage applies to postage expense charged to the industrial department (\$114,000). In addition there was charged direct, without apportionment, \$25,700 postage ordinary department and \$31,400 postage intermediate department. Supply division salaries (\$35,000) were divided 78 per cent, 18 per cent and 4 per cent upon the basis of estimated work done for each department; the rent of this division (\$28,000) was divided 83 per cent, 13 per cent and 4 per cent, upon a basis said to be that of space occupied.

The salaries of the audit division clerks and bookkeepers (\$288,000) were divided upon an arbitrary basis of 75 per cent, $12\frac{1}{2}$ per cent and $12\frac{1}{2}$ per cent, while the rent of space occupied (\$110,000) was divided $97\frac{1}{2}$ per cent, $1\frac{1}{4}$ per cent and $1\frac{1}{4}$ per cent. It is explained that the space designated as audit covered rooms other than those occupied by the clerks whose salaries were adjusted on the foregoing basis. The company's expense of conducting the staff savings fund (expenses, \$137,000; rent, \$45,000; salaries, \$9,700; total, \$151,200) was divided 81 per cent, 11 per cent and 8 per cent, the basis being the percentage of home office membership. This is the same percentage as that used in 1912. The percentage division of the sanatorium expense

(\$226,000) was 74.27 per cent, 16.29 per cent and 9.44 per cent, the basis being percentage of compensation of home office and field employees. Participation in the advantages of the savings fund is purely voluntary, whereas all clerks requiring sanatorium treatment are supposed to avail themselves of the opportunity.

Mutualization expense (\$78,000) was divided 74.02 per cent, 24 per cent and 1.98 per cent. A different basis was used in subdividing the premium paid to acquire the capital stock, \$4,000,000, namely 68.767 per cent, 29.567 per cent and 1.666 per cent. The percentages in the cost of mutualization expense were made up by the actuary; the percentages used in distributing the premium paid for the acquisition of capital stock were based upon the earnings in the several departments over the five years' period, 1909 to 1914.

The results of the foregoing investigation would seem to indicate that, with the possible exception of those home office executives' salaries and rents and other items apportioned on the basis of premium income, and also with the possible exception of district office expenses, the present basis of subdivision is substantially fair to all departments. If our conclusions in the case of the above two exceptions are correct, and our proposed change in apportionment be adopted, the net result for 1915 would be an addition of some \$185,000 to the charges allocated to the industrial department, and a deduction from the expenses charged to the ordinary departments of \$151,000, and a deduction of \$34,000 from those of the intermediate branch. The necessity or desirability of making these changes are to a certain extent a matter of opinion. A more complete knowledge of the facts in each case might suggest other changes in some of the other items apportioned. However, it is undoubtedly the case that the result of any such changes would be comparatively small in the case of any of the three departments.

The total disbursements for 1915 by departments were: Industrial, \$63,456,944.90; ordinary, \$21,447,283.21; intermediate, \$12,172,621.73; total, \$97,076,849.94. The total amount of items adjusted amounted to over \$15,000,000, and after deducting from this the cost of acquiring the capital stock and the writing down of the real estate, these adjusted items amounted

to somewhat less than \$6,000,000. Even though eliminating as abnormal the disbursements made necessary by the mutualization, by the writing off of real estate, and the decrease in bond values, the total disbursements of the company in 1915 were over \$80,000,000. A fair conclusion then, it seems to me, is that the present bases of apportionment are substantially accurate as a means of determining the respective share of each department in the general expenses of the company. Apparently the endeavor on the part of the company is to prevent discrimination between departments, and provide for each that it shall bear its proper share of expenses.

To show what slight differences in dividends any small probable over or under charge between departments would make, there follows the dividends by departments apportioned in 1915, payable in 1916. Special class dividends are included with those of the ordinary department: Industrial, \$5,706,941; ordinary, \$2,135,930; intermediate, \$1,419,649.

The 1915 apportionment of expenses does not include any provision for charging the new disability department with its share of general expenses. The premium income of this department for 1915 was less than \$250,000. The insurance was practically confined to company employees and its conduct and management was largely a matter of detail. As the business of this branch increases in amount and importance, it would seem that the question of apportionment of its share of general expenses should be taken under consideration by the company.

Dividends

Annual dividends were apportioned at the end of 1915, payable in 1916. These dividends were intended to substantially represent the company's earnings of 1915. The methods of computing and distributing were different in the two departments, ordinary and industrial.

Ordinary:

The company's description of its method of apportioning surplus to be paid as dividends on policies in the ordinary department, including the intermediate branch, is as follows: "To

the difference between the annual premium charged and —— per cent of the special net premium is added $\frac{1}{2}$ of 1 per cent on the 4 per cent issues, and 1 per cent on the $3\frac{1}{2}$ per cent issues of the mean fund. The mean fund is based on the mean reserve at the beginning of the year, plus one-half of the net annual premium.”

From the company's experience or other reliable source, if sufficient company experience were lacking, net premiums were computed for all ages and kinds of insurance and loaded sufficiently to provide for all expenses. These theoretical premiums were then applied to the business in force, and the total amount of premiums necessary to carry the business of the year calculated. The difference between this total and the total gross premiums of the year collectible was called loading—in effect it was the theoretical profit other than interest. From records kept to show surplus changes from year to year applicable to different years issues and kinds of policies, the earnings to be distributed were then determined. If such earnings were larger than the theoretical loading or profit, then the theoretical premiums would be greater than necessary to carry the business for the year; if smaller, it would also follow that such theoretical premiums were too low. The percentage over or under of the totals was determined in the manner, and then applied to the theoretical net premium previously worked out for each age and kind, the result being the premium cost per policy for the year. The difference between this premium cost and the gross premium charged in the policy contract represented that portion of the profits other than interest earnings. To determine interest earnings, 1 per cent (in the case of policies with 4 per cent reserves $\frac{1}{2}$ of 1 per cent) of the mean reserve plus half the net premium was taken. This interest rate was predicated on an average interest return from all assets of about $4\frac{1}{4}$ per cent. This rate will permit the company to take up all ordinary investment losses out of current interest earnings; extraordinary losses will have to be drawn from the contingent surplus or from other sources of current gains. The rate used seems for the present to substantially reflect the company's investment earnings.

By this method earnings other than interest are the same per

policy, no matter how long policy may have been in force. That is, all policies of the same kind, issued at the same age, will show the same yearly profit (other than interest); or to put it another way, the insurance carrying cost to the company will be the same for the tenth year in force of the policy as for the fifth or fifteenth year. Provided the computation of the original theoretical net premium was correctly made, and the loading for expense fairly distributed, it would seem that this method through a series of years, and as to all policyholders entitled to share, would result in an equitable apportionment of earnings.

In its computation of dividends per policy the company has apparently been somewhat influenced by the weight of practice in other companies, viz., to increase dividends gradually from younger to higher ages at issue, and to increase dividends on the same policy from year to year as the policy remains longer in force. This result is secured to a certain extent by the interest portion of the dividend which necessarily increases with higher reserves. In the case of the ordinary department (other than \$5,000 whole life policies) the deduction to provide for increase in contingent surplus was made on a flat rate of \$1.14 per \$1,000 insurance. This would tend to lower the dividend on younger ages proportionately more than in the case of older ages.

In distributing dividends per policy the company intends, in line with the general practice of other companies, to arrive at what may be called normal dividends and pay the same, even though for any one year the amount so distributed may be somewhat over or somewhat under the surplus earnings of that year. Of necessity the dividend rates are made up before the end of the year, and therefore must be based to a certain degree on estimated earnings. The distribution voted in 1915, payable in 1916, was based upon the 1914 earnings as shown by the company's fund books. These books are an analysis of surplus changes by kinds and years of issue in the various departments.

To check up this apportionment with the actual results for the year 1915, we secured from the actuary's department certain figures with reference to surplus and earnings in 1915. The gain and loss (ordinary and intermediate departments) insurance

profits for 1915 were \$6,441,970.10, and losses \$8,763,396.92; giving a net loss or change in surplus of \$2,321,426.82.

The insurance profits adjusted to exclude special items of the year, and modified to represent what it is claimed are normal yearly profits, amounted to \$5,688,319.10. This is subdivided between the following departments:

Ordinary	\$3, 262, 798 74
Intermediate	2, 068, 145 39
Special class	278, 530 06
Covenant Mutual and Vermont Life.....	19, 771 14
Group	39, 073 77
Total	<u>\$5, 688, 319 10</u>

The dividend system as adopted was on the theory that the rate of interest used would allow leeway for normal investment losses — if there were unusual depreciation or writing off of book value as in 1915, such losses would come from surplus. Adjusting the losses of 1915 then to a normal basis would give the following distribution of normal profits, as per the estimate by the actuary's department:

Dividends	\$3, 664, 073 28
Special reserve	21, 825 00
Health and welfare work.....	118, 668 95
Miscellaneous	96, 598 22
5 per cent increase in contingent reserve.....	1, 287, 872 00
Total	<u>\$5, 188, 987 45</u>
Balance of normal profits available for investment and other losses	479, 331 65
Total	<u>\$5, 668, 319 10</u>

From these figures it would appear that the dividend distribution for 1916 of 1915 earnings represented a proper return of surplus to policyholders.

At this point it should be noted that the surplus in the ordinary department was decreased December 31, 1915, by \$1,088,331 "Special Reserve." According to past rulings of the department,

this so-called reserve should be considered as part of the company's contingent surplus in determining whether such surplus is within the limitations of section 87 of the Insurance Law.

We have secured the following figures showing the total 1914 earnings on all year's issues, which correspond with the insurance earnings in the gain and loss exhibit. From these earnings we have deducted 5 per cent of the increase in reserve applicable to the contingent surplus, and the balance will represent approximately the earnings available for dividend distribution:

	<i>Fund book earnings</i>	<i>Contingent surplus</i>	<i>Balance available for dividends</i>	<i>Dividends apportioned</i>	<i>Under</i>	<i>Over</i>
\$5,000 whole life, 1909-1914.....	\$589,750	\$82,721	\$507,029	\$104,094	\$402,935	.....
Issues 1891-1911.....	2,792,123	652,089 {	2,140,034	1,828,641	.....	\$66,498
Issues 1912-1914.....	-377,891		-377,891			
			Net \$1,762,143			
Intermediate, 1896-1906.....	1,471,042	154,958	\$1,316,084	1,093,775	222,309	.....
Intermediate, 1907-1911.....	593,941	299,316	294,625	325,873	.....	31,248
Intermediate, 1912-1914.....	-495,426	.....	495,426	.....	.....	495,426
Special class, 1899-1906.....	95,462	10,000 (Est.)	85,482	120,279	.....	34,797
Special class, 1907-1911.....	107,917	20,000 {	(Est.) 87,917	77,930	.....	.....
Special class, 1912-1914.....	-62,946					
			Net \$24,971			52,959
	\$4,713,992	\$1,219,084	\$3,494,908	\$3,550,592	\$625,244	\$680,928
Covenant Mutual.....	51,737			3,494,908		625,244
Vermont Life.....	8,005					
Group.....	22,053					\$55,684
	\$4,795,787					

That is, if the 1914 earnings were to be the basis for distribution, the apportionment was excessive by some \$55,000. The experience of 1915, however, shows that the apportionment in total closely reflected the earnings of that year if the abnormal investment losses were not taken into consideration as part of the current year's expenses. As to the proper distribution among the various groups into which the company divided its business, it would seem to indicate that the company paid too little on the \$5,000 whole life group and upon the earlier intermediate issues. As to the \$5,000 whole life group, it is apparent from the company's dividend discussion that this was done intentionally. It was contended that this business was comparatively new, and that in all probability present apparent gains were due to this fact, and should not be entirely returned at the present time to policyholders.

It would at first seem that the later non-participating intermediate issues from 1906 on were receiving more than their share of current earnings. It appears, however, that in 1912 the intermediate premium rates were lowered, and that it is for this reason there is such a loss of \$495,000. It is claimed that this loss should not be borne by the issues of 1907 through 1911, dividends on which were apportioned amounting to some \$31,000 more than the 1914 earnings of that class. It is claimed that no dividends are to be paid on the 1912 to 1915 intermediate issues, and that even so the rates on these issues will be lower than those of the 1906 through 1911 issues after deduction of dividends.

These figures are not set up in any attempt to demonstrate discrimination as between different groups. The point desired to be brought out is that the key to the company's dividend system is earnings. The methods adopted for the distribution of earnings have been discussed, and seem such as will secure a fair apportionment of its share to each policy. Also, and one step further, the total amount apportioned in 1915 to be paid as dividends in 1916 seems to have been a proper amount, as proved by the company's 1915 earnings.

Although conducted for many years as a non-participating stock company, the company's actuarial records are admirably adapted to the new method of conducting its business on the participating

plan. In fact, by means of these records, it has been possible for the company to adopt a plan of distribution, and for the examiners to investigate the equities of this plan, far more satisfactorily than would or could have been the case had only the ordinary records usually maintained been kept by the company during past years.

Industrial Dividends:

The declaration and payment of industrial dividends is in effect a continuation of the company's practice for several years past of making bonus payments. These bonus payments were made only upon issues prior to January 1, 1907, but the company has commenced the payment of dividends upon policies five years or longer in force, with some certain exceptions. The company's records of experience by years of issue and kind of policy would indicate that these exceptions ("Life" and "Endowment at age 80," even \$500 policies) have not been self-supporting. As in the case of bonuses, the dividends are of two sorts: credit dividends applicable in payment of premiums and ranging from four weeks' premiums on issues of 1902 through 1911 to twenty-two weeks' premiums on issues of 1879; and, second, mortuary bonuses ranging from 4 per cent of the face amount of the policy for years' issues of 1902 through 1906 up to 22 per cent on issues of 1879. Those mortuary bonuses are included in paying the claims, thus serving to increase the sum received by the beneficiary.

For payment in 1916, \$5,571,544.96 was apportioned, payable \$4,622,807.96 as credits to premiums and \$948,737 as mortuary additions.

This plan of applying industrial dividends has in its favor that the company has had experience in this method of distribution, the policyholders are accustomed to it, expect it and understand it. From our examination of unpaid bonuses, discussed elsewhere in the report, it would appear that there are certain defects as to a proper follow-up system for unpaid dividends, but this is a matter of detail, which will undoubtedly work itself out satisfactorily.

In an attempt to discover how the dividend payments on different years' issues reflected the earnings of those issues, we made an analysis of the company's Fund book figures for the years 1912, 1913 and 1914, in which years the company's payments

followed practically the same general scheme as the dividend scale adopted for 1916. It would seem that this scale does not reflect, nor was any investigation or conscious effort made to have it reflect, the earnings of any particular group or years' issues of policies. The total amount available was first determined. Then various scales were tried out until the 1916 scale, finally adopted, was found to be one which would require a total distribution within the total amount available. It is claimed for this plan that it follows generally the scales adopted in the past with which policyholders are familiar, and gives them amounts which they have reason from past experience to expect. Furthermore, it serves to meet a frequent cause of complaint against Industrial insurance that the policyholders of earlier issues have paid into the company considerably larger sums than what their beneficiaries will receive, by allowing the earlier issues higher dividend returns in order to decrease the cost of insurance. The increasing scale, too, undoubtedly adds to the persistence of the business, and serves to reduce a lapse rate usually higher than is found among policies issued on the Ordinary plan. It is further claimed that these older issues have contributed in their earlier years to the upbuilding of the company and its present plant proportionately more than current issues, and that some consideration of this fact should be taken in measuring the dividend returns to those policies.

The results of our Fund book analysis and discussion of the same were made the subject of a special memorandum dated December 1, 1915. Further investigation along the lines outlined in this memorandum would seem to give no reason for making any material changes in it.

FINANCIAL STATEMENT

As a result of the work of examination, we have prepared a financial statement, which is filed with this report. This statement is based upon the records as kept prior to 1916 whereby the accounts of the Departments were kept separately, and the assets of each specifically charged to Departments. The figures for the Disability Department are included as totals, and a statement of same subdivided into items, set up separately.

This financial statement differs from that rendered by the company to the Department in the following particulars:

Statement Showing Changes Made by Examiners in the Financial Statement of the Metropolitan Life Insurance Company as of December 31, 1915, and the Resulting Increase or Decrease in Surplus

		<i>Items affected</i>	<i>Surplus</i>		
			<i>Increase</i>	<i>Decrease</i>	<i>Decrease</i>
Line	5	Premiums (ordinary).....		\$2,255 49	
		Premiums (industrial).....	\$288,493 21	913 14	
24		Mortgage interest.....		333 33	
31		Miscellaneous interest.....		9 16	
38		Cash over in district offices.....	187 47		
38a		Unclaimed premiums (ordinary).....	2,255 49		
		Unclaimed premiums (industrial).....	913 14		
40		Agents' balances.....	1,124 41	(289,462 60)	\$289,462 60
			<u>\$292,973 72</u>	<u>\$292,973 72</u>	
DISBURSEMENTS					
Line	20	Allowances to policyholders.....	\$283,493 21		
22		Agency supervision (ordinary).....		\$220 42	
24		Branch office expenses (ordinary).....	13 35		
25		Medical fees, etc.....	392,573 40		
		Inspections.....		392,573 40	
28		Advertising (ordinary).....	679 69		
		Postage, etc. (ordinary).....		8 26	
31		Repairs, etc. to real estate.....	10 00		
39		Certificates (death).....		1 10	
		Home office traveling expenses (ordinary).....	217 98		
		Books, etc. (ordinary).....	51 13		
		Medical division (ordinary).....	23 64		
		Calendars (ordinary).....	26 07		
		Sundry home office expenses (ordinary).....		712 43	
43		Miscellaneous interest payments.....		342 49	
		Investment expenses.....		79 65	
44		Agents' balances (ordinary).....	1,311 38	(289,462 60)	\$289,462 60
			<u>\$683,400 35</u>	<u>\$683,400 35</u>	<u>\$289,462 60</u>
					<u>\$289,462 60</u>

		Surplus			
		Increase		Decrease	
Items affected					
NON-LEDGER ASSETS					
Line 13	Mortgage interest.....	\$98 25		\$98 25	
14	Bond interest.....		\$327 09		\$327 09
20	Rents due and accrued.....		1,763 52		1,763 52
NOT ADMITTED ASSETS					
Line 41	Premium notes, policy loans, etc. in excess of net value, etc.....		275,129 09		
	Policy loans.....	955 00			955 00
43	Non-interest bearing premium liens.....	243,261 28			243,261 28
44	Book value of bonds and stocks over market value.....	1,842,206 85			1,842,206 85
LIABILITIES					
Line 15	Reserve for net death losses incurred but unreported.....	353,631 98			353,631 98
16	Claims for matured endowments due and unpaid.....		32,673 51		
21a	Accrued interest on certificates of deposit.....	7,061 83			7,061 83
23	Premiums paid in advance.....	7,920 20			7,920 20
28	Salaries, etc., due or accrued (ordinary).....	2,451 74			
34	Bonuses due and unpaid.....	337,100 29			337,100 29
43a	Unearned interest and rents paid in advance.....	2,003 32			2,003 32
44	Accrued interest on agents' balances.....		7,061 83		
45	Unclaimed advance payments.....	3,168 63			3,168 63
	Rents accrued, payable.....	333 33			333 33
	Judgment on appeal.....	9,500 00			9,500 00
	Disability department.....	79,643 98			79,643 98
	Net decrease in surplus.....		2,545,396 81		
		\$2,888,877 30			\$2,888,877 30
	Surplus reported by company.....	26,017,566 52			
	Surplus reported by examiners.....	23,472,169 71			
	Net change in surplus.....	\$2,545,396 81			

Expense Analysis:

A test check of the company's analysis of expense was made. It was noted that beginning in August, 1915, the company made a subdivision for medical expense field force which had formerly been included as part of the expense of general welfare work. The effect of starting this subdivision in this way in the middle of the year was to make both accounts for the year incorrect. In the new year this condition will not occur.

An item called Sundry Allowances was noted in the Industrial Department, details of which were not supported by vouchers. This was explained to be a lump allowance made to superintendents to cover small items of expense not allowed by the company as expenses under the item of district expense. The total of these allowances in 1915 was approximately \$69,000. Inasmuch as there are no vouchers, it would seem more proper to make this Sundry Allowance a charge against the superintendent's salary, rather than to expense.

*Income**Premiums:*

We have made changes in the premiums as reported in our financial statement in both the Ordinary and Industrial Departments.

Ordinary:

First year's premiums have been decreased by \$2,255.49, and a new income line added for a like amount for unclaimed premiums. It is the custom of the company to enter during the year in ledger account "Unclaimed advance premiums" such items as cannot be returned to the payor. When a payment is made this account is charged. At the end of the year the balance is credited to premiums. These credits are not premiums, but deposits on account of insurance not issued. We have not attempted to adjust balances written off in previous years, but merely as a starter, have credited the 1915 balance as a separate income line and carried the same amount as a liability. The division between the Ordinary Department and Intermediate Branch is respectively \$715.12 and \$1,540.37.

Industrial:

The same change in Industrial premiums was made by deducting \$913.14 and entering it as a new income line, and also carrying a liability for the same amount.

Industrial premiums were further changed by an addition of \$288,493.21, the amount allowed policyholders for payment of premiums direct to district or home office. To put the premium account on a gross basis, as required by the statement blank, necessitated this change and the reporting of a like amount as a separate disbursement item allowance to policyholders.

Interest:

Mortgage interest income has been decreased in our statement by \$333.33, and miscellaneous interest by \$9.16, which are offset by deducting from the disbursements for miscellaneous interest the sum of \$342.49. The company reported as interest from mortgages the gross interest received on bond and mortgage, a participating interest in which was held by other parties. The interest on this participation interest was collected by the company and credited to mortgage interest, but when paid out to the owner of such participation was charged to miscellaneous interest. We have credited the net interest to the company on its share in the mortgage. If it is desired to show the gross income from interest, it would seem preferable to make the deduction for the participation interest as an inside figure in the income line of the statement. The company now reports in schedule "B" only its net participation and in the financial statement only the net interest received.

Consideration for Supplementary Contracts:

In making up the 1914 statement the sum of \$266.32 which properly belonged in suspense, was included as part of the liability for certificate of deposit. In the 1915 statement, in order to correct this error, the same amount was deducted from the income item shown by the ledger and added to the income item of suspense. In our statement we have shown as inside figures the correct amounts of these two items which have been carried out at the

same amounts reported by the company. The liability in each case was correct for 1915.

Cash over in district office:

A new line has been added in income to report the sum of \$187.47 cash over in a district office. This might be more properly reported as a suspense item and liability set up, but as the company treated it as a Profit and Loss item by crediting it against the amount of agents' balances charged off, we have merely separated it so as to show the gross balances charged off, and carried it in the statement as a Profit and Loss income item.

Received from Agents' balances previously charged off:

In addition to the foregoing amount, we have also credited as income \$1,124.41 received from agents' balances charged off in previous years. The result is that the disbursement item shows all balances of 1915 so charged off, and not a net figure as reported in the company's statement.

Disbursements

Minor changes in allocation of various expense items were made as a result of the check of the company's expense analysis. The amounts involved were small, and the changes do not require extended discussion.

Assets

The various asset items were examined and verified. The following table shows the percentages of each ledger asset to the total of ledger assets December 31, 1912, and December 31, 1915:

	1912	1915
Real estate	6.13%	3.54%
Mortgages	41.22%	44.76%
Policy loans	4.96%	6.71%
Premium notes	.27%	.25%
Bonds	43.82%	42.53%
Stocks	2.09%	1.06%
Cash	1.49%	1.16%
Miscellaneous	.02%	.01%
Total	100%	100%

Real Estate:

In addition to its Home Office, Annex and Pacific Coast Head Office Building, the company owned thirty-eight parcels of real estate located in different parts of the United States and Canada. Of these parcels sixteen were acquired for its own use and twenty-two as a result of mortgage foreclosures. The Home Office and Annex Buildings are managed through the company's renting section in charge of a superintendent.

Other New York city property is managed by real estate agents who collect rents, pay necessary maintenance expenses, and report the balance, less their commissions, monthly to the company. Out of town properties are generally handled by the local superintendent. Records of the accounts of these properties (other than Home Office and Annex) are in the Real Estate Department.

It was found that the amount reported in Schedule A as gross rents from Home Office and Annex, included in addition to rentals, payments received from tenants for supplying ice, steam, light and power, and also sundry receipts from the sale of tickets to the Observation Tower, etc. For 1915 these sundry receipts amounted to \$14,069.32 for the Home Office, and \$4,404.22 for the Annex.

An analysis of the construction account of the Mount McGregor Sanatorium was made. In making up the cost or book value at which the property was carried December 31, 1915, the company included the cost of equipment, both farm and hospital, amounting to over \$100,000. It is our understanding that the company proposes ultimately to write down the book value of this property, and has included the first cost of equipment in order that there may be a book record of the initial cost of the plant.

The property at 12 Fifth avenue, New York city, was acquired by foreclosure of a mortgage, and at that time the furnishings were also purchased for the sum of \$1,500, which was included as part of the book value. The property is an apartment hotel. Since its acquisition the company, through an agent, has been operating it as such.

Increases in book values of properties were investigated, and appear to have been made by reason of permanent improvements and betterments.

Rents Due, Accrued or Paid in Advance:

These various items as reported by the company have been changed by the examiners as follows:

	<i>Company</i>	<i>Examiners</i>
1. Rents due	\$8,195 17	\$6,454 32
2. Rents accrued	3,427 66	3,404 99
3. Rents in advance	2,150 14	4,153 46
4. Rents accrued payable .....	.....	333 33

1. Changes in rents due arose from the examiners having eliminated certain overdue rents from the properties 120-122 Liberty street, 12 Fifth avenue, New York city, and the Minneapolis Building. These deductions were made because of tenants having moved or having been dispossessed, or because the rents were overdue for such a period of time as to warrant the belief that they were not collectible. In the case of 12 Fifth avenue, unpaid telephone tolls and restaurant charges due from patrons were deducted by the examiners as not being rents. Details of the changes are filed with the working papers.

2. Accrued. The slight change made was due to an error in computation, acknowledged to be such by the company.

3. Rents in advance. Property at 15-17 West 21st street was acquired by the company November, 1915. Prior thereto the rents had been assigned to the company. The building agent rented several lofts, lease rent to start February, 1916, but payment of the first month's rent to be made when the leases were signed. Some of these leases were made before and some after the transfer of title to the company. The advance payments on account of such leases received prior to the transfer of title were taken in adjustment of the interest and insurance charges between the company and the former owner. So far as the tenants are concerned, these were all rents in advance, irrespective of whether the company should or should not have treated them as owned by and due to the former owner in making adjustments of its accounts with him.

4. Rents accrued payable. This item is the accrued rental payable by the company on its leasehold property on 24th street, New York city.

Mortgage loans:

Mortgage loans and the various items in the statement arising therefrom, as reported in schedule "B," were examined and verified. December 31, 1915, the company held 1,309 mortgages for \$234,327,497.36, the largest mortgage being \$6,500,000, and the smallest \$500. The rates of interest varied from 4 per cent to 8 per cent, the latter being the rate on certain mortgages secured by real estate in Canada, taken over in connection with the reinsurance of the Union Life Insurance Company. The bulk of the loans is on apartment, store and office buildings in New York and other cities.

During 1913 and 1914 the company made some 111 mortgages amounting to \$193,920 on property known as the Goodyear Heights allotment, near Akron, Ohio. These lots are part of a home purchase plan undertaken by the Goodyear Tire and Rubber Company to enable its employees to become owners of their own homes. The Metropolitan Life loaned 50 per cent of the selling price upon mortgages, providing for semi-annual payments of principal and interest sufficient to retire the mortgage at the end of fifteen years.

The loans were examined and data checked to schedule "B," except those cases where the mortgages were on deposit or out for foreclosure or record. In such cases receipts were exhibited and amounts checked from the mortgage ledger or the cash book. All loans appear to be first mortgages on real estate owned except 2627, a loan on a leasehold. This leasehold was acquired as part of the assets of the Union Life Insurance Company of Canada. The leasehold, valued at \$11,452.80, was sold in 1913 for \$4,052.80 cash and a purchase money mortgage for \$8,000, which had been reduced to \$3,500 December 31, 1915, and was satisfied April 5, 1916.

Authorization by the board of directors, finance or real estate committees for new loans made in 1913, 1914 and 1915 were noted. As the contract for reinsuring and taking over the assets of the Union Life Insurance Company of Canada was authorized, no specific authorizations were made for the separate mortgages acquired as part of that transaction.

December 31, 1915, there were 19 mortgages for \$3,080,250 in process of foreclosure.

Policy loans and liens:

In its statement the company reported policy loans outstanding, \$35,130,476.67. This amount was made up as follows:

Ordinary:	
Home office	\$22, 612, 793 81
Pacific coast	1, 009, 224 75
	\$23, 622, 018 56
Intermediate:	
Home office	\$10, 861, 200 59
Pacific coast	532, 049 64
	11, 393, 250 23
Industrial:	
Home office	\$107, 131 88
Pacific coast	8, 074 00
	115, 205 88
Total	\$35, 130, 474 67

Pacific coast loans were verified in connection with the examination of that office. All loans at the home office were checked either by examination of the note or verification from the accounts of the company, and the amount of the ordinary and intermediate loans as reported was found to be correct with a few exceptions.

Tests were made and in all the cases examined it was found that the loans were within the reserve upon policies in force and signed by the proper parties in interest, with a few exceptions.

Computations of policy loan interest due, accrued and paid in advance, were examined and have been accepted by the examiners as substantially correct.

Industrial policy loans are mainly on reinsured business. All notes were examined and the amount reported found to be correct.

Liens:

Liens are subdivided: Ordinary and intermediate, \$222,703.99; industrial, \$1,106,295.49; total, as per statement, \$1,328,999.48.

Ordinary and intermediate liens are mainly on reinsured business. Liens charged on Ordinary Metropolitan issues were mainly cases where the insured was prevented by reason of the European War from making regular premium remittances. Although not provided in the policy contract, the unpaid premiums were charged against the policy as a lien in order to prevent the hardship to the insured of having his policy lapsed. Liens in excess of reserve were noted amounting to \$573.92, which amount has been deducted as a not admitted asset.

Industrial Liens:

For some years it has been the company's practice under certain conditions to revive lapsed policies by taking in payment of arrears a lien note signed by the insured and bearing simple interest at 4 per cent, payable at death or maturity of the policy. In earlier years the liens bore no interest.

These liens are for small amounts. One district in each of the eight home office sections was checked. The lien notes are rather difficult to verify, by reason of the fact that in many cases the amounts thereon have been changed, and in some cases there is no date. It is explained that it is sometimes difficult to have the note figured to the correct number of weeks in arrears, because at the time of signing the date of revival is not positively known.

The liens checked were carried by the company at \$5,793.57, and were found by the examiners to amount to \$5,629.23, a difference minus of \$163.34. The differences were probably due to transfers between districts.

Bonds and Stocks:

Bonds and stocks owned December 31, 1915, were counted and checked into Schedule D. In the case of securities on deposit receipts for same were examined. Authorizations for purchases made during 1913, 1914 and 1915 by the board of directors or finance committee were seen, except in those cases where the purchase was made pursuant to the form of blanket authorization referred to in the 1912 report. Purchases made under such form of authorization were subsequently approved by the directors or the finance committee. In October, 1914, the finance committee

voted to leave to the officers with power the acceptance of bonds of Toronto and other cities of Canada on a $4\frac{3}{4}$ per cent basis in payment of insurance premiums. Under this power five lots of bonds were acquired in 1915 covering purchases made in March, July, September, November and December. Insurance premiums referred to were those on the so-called war policies, issued upon the lives of the certain Canadian contingents about to take part in the European War.

In our statement bonds and stocks are allowed at the values fixed by the Audit Bureau of the Insurance Department in its regular audit of the company's statement. There follows a schedule of stocks owned by the company December 31, 1912, together with changes in the holdings as at December 31, in the three succeeding years, including December 31, 1915:

	Dec. 31, 1912	Dec. 31, 1913	Dec. 31, 1914	Dec. 31, 1915
Buffalo, Rochester & Pittsburg, pref.	500	500	500	500
Chicago, Great Western R. R. com.	2, 843	2, 843	2, 843	2, 843
Chicago, Great Western R. R. pref.	11, 710	11, 710	11, 710	11, 710
Detroit, Toledo & Ironton R. R. com.	.....	.....	1, 930 $\frac{1}{2}$	1, 930 $\frac{1}{2}$
Detroit, Toledo & Ironton R. R. pref.	.....	.....	1, 930 $\frac{1}{2}$	1, 930 $\frac{1}{2}$
Michigan Central R. R.	321	321	321	321
Milwaukee Elec. Ry. & Light Co., pref.	1, 500	1, 500	1, 500	1, 500
Northern R. R. of N. J.	400	400	400	400
Lake Shore & Michigan South'n Ry.	4, 966	4, 966	.....	.....
Sharon Railway	400	400	400	400
Southwestern R. R.	2, 460	2, 460	2, 460	2, 460
Worcester Railways Investment Co.	4, 930	4, 930	4, 930	4, 930
Central Trust Co.	140	140	140	140
Franklin Trust Co.	226	226	226	226
Hamilton Trust Co.	1, 000	1, 000	1, 000	1, 000
Howard National bank.	140	140	.....	.....
International Banking Corp.	522	522	522	.....
Metropolitan Trust Co.	1, 481	1, 481	1, 481	1, 481
Metropolitan Bank	10, 432	10, 432	10, 432	9, 800
United States Trust Co.	73	73	73	73
Allis Chalmers, com.	2, 657	6, 174 $\frac{1}{4}$	6, 174 $\frac{1}{4}$	6, 174 $\frac{1}{4}$
Allis Chalmers, pref.	5, 827	1, 431 $\frac{10}{100}$	1, 431 $\frac{10}{100}$	1, 431 $\frac{10}{100}$
New York Mutual Gas Light.	490	490	490	490
United States Express	1, 600	1, 600	1, 600	1, 600
Twain City Rapid Transit Co. pref.	3, 200	3, 200	3, 200	3, 200
Ursina North Forks Ry.	400	400	400	.....
Third Avenue Ry. Co.	625	625	625	625

Cash in Office and Banks:

Cash in office was counted January 3d except the Pacific coast head office cash, which was counted by the examiners in May and verified back to December 31, 1915. Cash in banks was verified by means of bank statements secured from the different banks of deposit.

Other Ledger Assets:

Cash in branch office banks was not verified. Such accounts are in the names of superintendents, and are in effect agents' balances.

Non-ledger Assets:

Non-ledger assets of interest and rents due or accrued were checked and changes made to correct clerical errors of computation as shown in the schedule of changes.

Deferred premiums (gross) were verified in connection with check of reserves, and no material errors noted. Test checks of due and uncollected premiums in the ordinary department and intermediate branch indicated substantial accuracy of the figures reported by the company. The bases for arriving at the percentages used in deducting loading have been investigated and found to be correct. These percentages are not estimates, but are carefully worked out by the actuarial department.

*Liabilities**Reserves:*

The work of verifying the reserve liability divided itself into two main divisions, ordinary (including intermediate branch) and industrial.

Ordinary and Intermediate:

Applications upon which policies of insurance had been issued were examined as follows: Ordinary department, April, 1913, issues to policy registers, December, 1914, issues to policy registers, August, 1915, issues to actuary's cards; intermediate, September, 1915, issues to actuary's cards.

Some 40,000 cases in all were thus examined. Numerous cases were noted in which the policy issued was not at the age nearest birthday at the time the application was signed. Cases were also noted where prior applications or library bureau reports showed date of birth different from that given in the application. The matter was taken up with the company, and the two following memoranda submitted, covering the practice in the ordinary department and in the intermediate branch:

Premiums are charged on ordinary policies at age nearest birthday figured from the date of the policy. If, while application is pending, the applicant's age changes, we date the policy back far enough to produce the age when he applied. We do not date policies back of the date of the application where to do so would rate the applicant at a younger age than his true age at the time he actually applied.

We know from experience that date of application is not always genuine. Agents are not slow in trying to "put one over" on us by giving the application a fictitious date when the change in age has only recently taken place, and we are always on our guard to detect such cases. We recently had a \$50,000 case in which we ascertained that the application was dated back, and insisted that the date of the examination should determine the age, making the applicant a year older. Indeed, for a considerable time we were so apprehensive that the date of Part A (Agent's part) might not be genuine that in all cases we took the date of the medical examination as determining the age. This was the rule at the time the policies, to which Mr. Smith has called your attention, were issued.

At present, however, we are taking Part A as our guide, provided there is no suspicion that the date is not genuine, as determined by the date of the inspection report, the date the advance payment is certified to by the District Cashier, and the date of the medical examination. When there is a marked difference in the dates we investigate.

Our agents complain that our practice in refusing to date back policies put them at a disadvantage in competing with other companies whose agents make such concession. They have called our attention to an opinion given some years ago by the New York Superintendent of Insurance that it would not be discrimination to date back policies less than six months, provided the *practice were followed uniformly*. We have never seen how, in actual practice, the spirit underlying that opinion could be carried out, since the concession of younger age will not be offered by agents except where they believe that it will assist them in closing the case.

When the M. I. B. shows a record date of birth earlier than the one given to us, we intimate to the superintendent (without going into details) that the applicant on a previous occasion may have given a different date of birth, ask whether the applicant wishes to make any correction, instead of leaving the question to be taken up after death. We do not urge action on the part of the policyholder unless the difference is more than a year.

When, however, the M. I. B. gives a *later* date of birth than given to our agent (as subsequently confirmed to the medical examiner), we do not take up the question. In our long experience we have found few cases in which an application for insurance accepts a policy and pays a higher premium than that called for at his actual age. The tendency is the other way, and that is perhaps human nature, the effort to understate the age and save something.

When, however, the applicant has previous insurance in this company on which there is a different date of birth, we take up the question, no matter whether the previous date of birth is earlier or later than the one given in the new application, and, if necessary, rewrite the previous policies with premium required by true age with refund by the company of excess paid, or collection from the insured of shortage, as the case calls for.

(Signed) Harris,

Application Division.

Our one absolute rule is that the rate charged is for the age nearest birthday, as of the date of the policy. The date of the policy is usually the date the policy is issued or written. To this, there are the following exceptions:

Policies issued on binding receipts, bear the date of the binding receipt.

If age has changed since the completion of Part A, the policy may be dated back to give the benefit of the younger age, provided the delay was at the home office, or there were no suspicions that Part A had been incorrectly dated or the delay itself was caused by the applicant.

All differences in age, two years or more, are inquired about, and correct age determined if possible, before issue of policy.

Differences of one year are considered on merits of individual case. The illiterate, the ignorant, the foreign born of some countries are often taken at the age recorded, irrespective of date of birth, if the premium rate is quoted, and to all appearance the applicant has been advised the premium he is to pay.

If a previous application shows a difference of one year in date of birth, it is disregarded if the previous policy is not in force. If the previous policy is in force, the policy is issued at the older age, and the difference is taken up by correspondence to determine the correct age.

As a summary of the rules under which intermediate policies are issued, it can be seen that, owing to the general character of the business that we are called upon to review, a difference of one year is not regarded seriously. The year of birth is so frequently unknown or guessed at, that the apparent age is very frequently considered correct.

(Signed) J. D. C. Manager.

It would appear from these memoranda, and from interviews with those in charge of the work, that no definite written rules are in force to guide the company's employees doing this class of work. It would appear further that no definite record is made in those cases where the general rules or practice of the company are not followed, so that it was very difficult, in fact impossible,

to tell what exceptions of those noted were clerical errors, and what were intended to be exceptions.

The following instructions, issued to the ordinary policy division under date of May 25, 1916, would seem to meet the situation as to age questions not involving dates of birth given in prior applications:

It is imperative, in backing and checking applications, that strict attention be paid to the question of age. Applicant should receive the benefit of the age nearest birthday. Policies must be issued at the age nearest birthday, based on the date of Part A of the application.

Should it appear from the application that the date of Part A is a fictitious date, purposely entered to enable the applicant to secure a policy at his age last birthday, the policy is not to be issued until the question of the dating of the application has been satisfactorily settled.

Where the date of birth and age does not agree, but where the difference does not exceed a couple of years, policy may be issued at the age that appears to be correct, but the question must be taken up in correspondence, which is to accompany the policy, and the applicant must be encouraged to furnish evidence of his correct date of birth, in order that the policy may be written at the correct age.

Where exceptions to the above are made, those making the exception must make notation on the application as to why the exception was made, and initial it.

(Signed) McR., Ordinary Policy Division.

Ordinary Reserves:

Issues from December, 1913, and April, 1914, according to policy registers, and actuary's cards for August, 1915, were checked with the typewritten lists as to date, age, plan, amount and deferred premiums.

The total amount of insurance and deferred premiums for all months of 1913, 1914 and 1915 by plans and ages were checked from the typewritten lists to the classification registers. Footings were also tested. Eighty-eight errors were noted, of which sixty-two were clerical errors in the typewritten lists not affecting the reserve or the deferred premiums. Twenty-six errors were in the classification registers and affected the reserve or the deferred premiums. These errors were corrected by the company before filing its 1915 statement.

In addition, the amounts of insurance for all policies of ordinary issues for the years 1869 through 1894, intermediate issues for the year 1903, and special class issues for the years 1899 and 1900, in force December 31, 1915, as shown by the typewritten

lists, were footed according to year of issue, plan and age, and the footings compared with the classification registers.

Some 7,500 canceled, revived and changed cases were checked from the cancellation register and other records of the cancellation division, through the renewal cards to the typewritten lists and classification registers. No errors affecting the reserve were found. In addition, the net amounts canceled or revived in June, 1913, for all issues through 1896, the net amounts canceled or revived in July, 1914, for issues of 1897 through 1901, and the net amounts canceled or revived in August, 1915, for issues of 1902 through 1910, were totaled and checked into the classification registers by year of issue, age and plan. Policies canceled, revived or changed in August, 1915, for issues of 1911 through 1915 were checked with the typewritten lists. No errors were noted which would affect the reserves or the typewritten lists.

Intermediate, Special Class, etc.:

Practically the same method of examination was followed in the case of intermediate and special class issues and cancellations. As in the ordinary, only minor errors, and those few in number, were found.

In verifying the reserves set up for annuities, errors were noted which would serve to decrease the reserve by \$1,684. This difference was called to the attention of the company.

Industrial:

During 1915, the company made a complete check of the classification of its industrial policies in force December 31, 1914. The actuarial cards were sorted and listed, and differences run down. As a result of this work, the reserve was increased approximately \$33,000. There were over thirteen and a half million policies handled in the work of this check, and the resulting change in reserve was small in comparison to the total amount of the liability.

The examiners confined their work to the issues of 1915. Cards were prepared for all issues in each of six weeks during that year, a total of 225,605 cards. These cards were compared by the examiners with the applications. The cards were then classified

and the results compared with the company's classification issue sheets. Three hundred sixty-three (363) errors affecting the reserve were noted. The net result of these errors, if corrected, would be to increase the reserve December 31, 1915, by \$23. If the same percentage of error existed throughout the issues of 1913, 1914 and 1915, the reserve would be increased by some \$500.

Policies shown to be in force December 31, 1915, by the collection books of five agents in the Atlanta, Ga., district were checked into the actuarial cards and found to agree.

All departments — ordinary, intermediate and industrial — policies and amounts of insurance as reported to the Insurance Department for valuation, were checked from the company's classification register.

As a result of our work, we have no hesitancy in reporting that the reserve liability carried by the company December 31, 1915, is to all intents and purposes accurate. The systems in use are such as not only to secure accuracy, but also quick results, thus securing the computation of the amount of the policy reserve liability at the end of the year much earlier than would otherwise be the case.

Reinsurance:

Policies of reinsurance were examined and the accuracy of Schedule R verified. December 31, 1915, the company carried 37 policies for \$670,998 insurance. Of these 22 policies for \$442,404 were in companies authorized to do business in New York State. The mean reserve on this group, \$143,926, was the amount taken credit for by the company in its annual statement.

Extra Disability Reserve:

This reserve is based upon the average reserve per thousand dollars of insurance as worked out in 1914, and has the approval of the actuarial bureau of the Insurance Department.

Present Value of Amounts Incurred, etc., for Disability Benefits:

This liability was not reported separately in former years, but was included as part of the reserves. It was computed in accord-

ance with Hunter's Disability Tables and 3 per cent interest assumption.

Supplementary Contracts, Not Involving Life Contingencies, etc.:

Liability for supplementary contracts in the ordinary department, intermediate branch and industrial department was verified.

Premiums in Advance:

In testing the accuracy of the computation of the premiums in advance in the ordinary department, it was found that when policies of another department have been surrendered, and the value thereof applied to pay premiums on an ordinary department policy, only the amount of the cash paid by the insured at the time of exchange was carried as premium paid in advance, although, in fact, a considerable part of the surrender value so applied might also have been a premium paid in advance. The amount of such surrenders applied in 1915 to pay renewal premiums was \$3,819.24, and to pay first year's premiums \$31,722.17. Some 150 cases of first year's premiums were tested, and as a result it is estimated that ten per cent of such premiums should have been carried as advance premiums at the end of the year. In addition, sections A and C were examined, and errors found of \$232.27. Assuming the same ratio to apply in the eight sections, we have increased the liability on this account by \$929; the other increases due to wrong method, resulting in an increase equal to 10 per cent. of the first year's premiums paid out of surrenders of policies issued by other departments, \$3,172; values on policies so surrendered applied to pay renewals, \$3,819; total increase, \$7,920.

In the other two departments the company's figures as reported were used by the examiners.

Commissions:

A check was made of commissions due as reported by the company, and the same is believed to be correct.

At the same time an investigation was made of the commission payments made in 1915 in the ordinary department, intermediate and special class branches, to determine the nature of such charges,

and whether the same were properly made, and if made to the party entitled thereto. Tests of payments through weekly district office accounts indicated that these payments were either to the writing agent or to his successor. All commissions paid through or from the home office were examined.

Salaries, Rents, etc., Due or Accrued:

Payments in 1916 were examined to determine the accuracy of the liability at the end of 1915 for unpaid bills, etc. The sum of \$24,666.18, premium income tax for 1915 and 1916 at the Pacific coast head office, was deducted from the line for unpaid bills as this liability was properly covered by the estimated amount hereafter payable for federal, etc., taxes. No liability for unpaid district office expenses was carried by the company. At the Pacific coast head office this amounted to \$2,013.84, but figures for the other eight sections are not available. A liability of \$11,555.11 is carried for extra compensation due agents and deputies. This is in the nature of a bonus. In addition, the company pays a special compensation to superintendents and deputies based upon their net increase for the year and payable at the end of their respective fiscal years. Six months' accruals of this bonus based upon payments in 1915 would amount to about \$83,000. The examiners have not added this as a liability.

Dividends Due, Apportioned, etc.:

The items for dividends apportioned are based upon the insurance in force September 30, 1915, in the case of the ordinary department and intermediate branch, and upon business in force September 30, 1915, adjusted to December 31st in the industrial department. The make-up of these items was checked, and based upon the dividend rates adopted in the ordinary department and intermediate branch, the liability set up in these departments was found to be correct.

Dividends or bonuses in the industrial department reported as due and unpaid amounted to \$275,006.14. Industrial dividends or bonuses payable since 1912 have been apportioned to be paid on policies in force January 1st of the succeeding year, irrespective of the policy anniversary or of lapse or termination during the

succeeding year. The only exception to this is the fifty-two weeks bonuses on policies where the insured has passed the age of seventy-five. It follows that the credit bonuses apportioned become a definite and fixed liability January 1st next after apportionment, and remain such until paid.

Special Reserve for Whole Life Policies:

This item is not properly a separate liability item, but rather a part of the contingent surplus. It arose in connection with the company's special 1 per cent loading whole life policies. In view of actuarial experience with whole life policies, and policies for larger amounts than the average, it was deemed prudent, despite the very favorable experience from 1909 to date on these issues, to provide a larger reserve. A computation was made on the assumption that the business was based on the Medico-actuarial Table of Mortality, the premiums loaded 15 per cent. The excess of reserve of this medico-actuarial basis over that of the American $3\frac{1}{2}$ per cent plus the present value of deficiency in premiums charged below those called for by said table, plus the excess of the medico-actuarial mortality over the actual mortality, amounted in all to \$1,088,331, which was carried as a special reserve liability in the 1915 statement.

Other Liabilities:

Other liability items require no extended discussion. A judgment against the company was secured in 1914 for \$9,500 in favor of the Kingsway Construction Company. On appeal to the Appellate Division of the Supreme Court, this judgment of the Trial Court was dismissed. Appeal from this dismissal of judgment is now before the Court of Appeals. Pending this decision, we have set up a liability in the amount of the original judgment. The amount is undoubtedly amply secured by the general liability item of \$250,000 (ordinary, \$120,000; industrial, \$130,000) "to cover all other possible items." We believe it better practice, however, to itemize and provide for such specific cases as were known to exist when the statement was in preparation.

Surplus:

As a result of changes made, the examiners report the company's surplus, including disability department, and excluding the special reserve for whole life policies, to be \$23,472,169.71 instead of \$26,017,566.52 as reported by the company.

DISABILITY DEPARTMENT

About July, 1914, the company began the issue of disability insurance. This was confined at first to its own employees, and at the time of examination there was only one small outside group covered.

To handle the business a new department was organized in charge of an assistant secretary. All records, reports and accounts are kept by this department. In addition, this department also handles the accounts of the group life insurance issued on the lives of its own employees in connection with the disability insurance. The actuarial records of this latter group are in the general actuarial department of the company.

An examination of the records and accounts of the disability department was made. The company reported as a liability for claims reported or in process of adjustment the sum of \$5,000. Benefits accrued and unpaid December 31, 1915, amounted to \$1,375.70.

In computing the claim liability we have divided the claims open December 31, 1915, into two classes: First, all closed cases up to June 21, 1916, where disability commenced prior to December 31, 1915; second, the cases still open June 21, 1916. In the latter class of cases, the benefits and premiums were computed as through December 31, 1916. In some of the cases in this latter class disability will have ceased prior to December 31st, while in others the period of disability may still have a year or more to run. The total claim liability thus prepared amounted to:

Accrued benefits unpaid Dec. 31, 1915.....	\$1,375 70
Closed cases June 21, 1916, net.....	13,228 91
Open cases to Dec. 31, 1916, net	70,039 37
Total	<u><u>\$84,643 98</u></u>

Premiums are payable monthly on the first of each month. The company carries an unearned reserve of one-half of the December premiums. This takes the place of any other policy reserve on this business.

Examination of Claims:

The first notice of incapacity received by the disability department is that filled out by the insured or his representative on the first day of incapacity. Within seven days thereafter claimant's statement must be prepared by the claimant and his superior officer, and sent to the home office. Claims are only paid upon the receipt and approval by the home office of this initial claim statement. Incapacity for less than four days is not recognized, and is not considered part of the seven days of incapacity, notice of which must be given before benefits become payable. This seven days period (required by the terms of the policy contract) may consist of two different periods of incapacity if they occur within twelve consecutive months, and if each period has been of at least four days' duration, and proper notice of each has been served on the company.

In some cases, mainly those of home office clerks, the beginning but not the end of the period of disability appears in the claim file. It would appear better practice to have the claim papers show the beginning of disability and date of return to work certified by the section head. In field cases correspondence with the local superintendent could be filed covering these dates.

It was further noted that physician's statement was not completed in every case, and we were informed that in some cases these medical reports are filed in the medical division rather than with the claim papers as would seem to be the better practice. For purposes of examination, and probably for the company's own convenience, all records and papers relative to a claim should be filed as part of that claim in the disability department.

In some cases, when other disability insurance was carried in other companies, lodges, etc., only the net amount payable by the Metropolitan was shown on the home office claim statement. It would seem preferable to show the full benefit payable, together with adjustments, if any, affecting the amount actually paid. In

such cases of other disability insurance, the company will return to the insured on his demand in writing the pro-rated premium on the unpaid benefit.

Where the insured was disabled to such a degree as to be unable to perform his usual service for the company, but was not prevented from doing some kind of work, a case was noted (claim 90 — Keller) of the company releasing the insured from its employ and canceling his insurance. Cases were noted in which, after paying disability benefits for a certain period, the company canceled the disability insurance, and further payments were continued as allowances. The practice of paying these allowances was followed prior to the formation of the disability department. One such case was noted in which, after the payment of allowances had been commenced, the former insured died. A calculation was then made of the net amount received by the insured by reason of disability benefits and allowances, and compared with the amount payable had the disability benefits been continued to date of death. It appearing that the continuance of disability benefits would have resulted in a larger amount being paid the insured, the company thereupon revived the disability policy *nunc pro tunc*, and paid the deceased's family the balance payable had the disability policy not been canceled. The transfer of cases from disability to allowance accounts would seem to make it difficult for the disability department to secure accurate statistical data based upon its claim experience.

In view of the recent organization of the disability department and the necessity of devising a system, and adopting a policy to cover a form of business outside the past experience of the company, satisfactory progress has been made looking to efficiency in operation of this department, both as to its policy and records.

PRINTING AND BINDING DEPARTMENT

The accounts of the printing and binding department were examined and reconciliation of the books of this department, which are kept on a revenue basis, made with those of the home office, which are kept on a cash basis. No part of the value of the plant is carried on the home office books as an asset. Mention has

already been made elsewhere as to the method in past years of crediting the profits of this department to the industrial department only.

COMMISSARY DEPARTMENT

The accounts of this department were examined and reconciled with those of the main books of account of the company. The company's statement for 1915 shows the disbursement on account of the commissary department amounting to \$245,180.59, of which \$234,614.64 was on account of the home office commissary division, and the balance, \$10,565.95, on account of the Pacific coast commissary department. The home office disbursement included the following:

Rent	\$9,456 93
Supplies	143,773 54
Salaries	66,843 85
Sundries	15,540 32
Total	<u>\$234,614 64</u>

WELFARE WORK

As reported in the last examination, the health and welfare work of the company is divided into two main subdivisions, nursing service to policyholders and general welfare work. In addition the company's sanatorium at Mount McGregor, Saratoga county, N. Y., has been completed, and is now in operation for the benefit of the company employees, both home office and field.

The following statistics will serve to show the growth of the company's nursing service since the date of the last examination, December 31, 1912:

	1912	1915
Nursing centers	637	786
Divided into:		
Contracts with visiting nurse associations.....	229	401
Contracts with hospitals	51	35
Contracts with nurses:		
Salary	71	122
Fees	286	228
Number of patients	<u>131,090</u>	<u>202,659</u>
Number of visits	962,133	1,078,863
Policies in force	<u>9,857,780</u>	<u>10,892,164</u>

	1912	1915
Cost per patient	\$3.03	\$2.98
Cost per visit	.458	.561
Cost per policy	.0447	.0552
Visits per patient (number)	7.3	5.3
Policyholders treated per 1000.....	13.299	18.605
Cost of nursing service.....	\$468,987 90	\$605,933 38

In its general welfare work the company has broadened the scope of its activities and increased the number of different publications issued and the amount of same distributed. In addition to its publications the Welfare Department has conducted an unemployment survey in the City of New York and numerous other cities throughout the United States. It has also assisted in various localities the efforts of policyholders to secure adequate health administration and health laws. The report of the Welfare Division for 1915 by Sixth Vice-President Frankel covers in detail the work being done in this line by the company. Copies of this report and for the year 1914 are filed with the working papers of this report.

In examining the accounts of this division it was noted that there was included as part of the cost of the general welfare work, the sum of \$5,374.72 for contributions. A list of these contributions follows:

Tuberculosis Preventorium for Children.....	\$100 00
American Humane Association	25 00
Vacation Committee	500 00
Canadian Flood Relief	147 47
Eastland Disaster	1,232 00
St. Louis Flood Relief	460 00
Poplar Bluffs Relief	60 25
Gramercy Neighborhood Association	100 00
Charity Organization Society Tuberculosis Campaign.....	250 00
State Institute for Study of Malignant Disease.....	2,500 00
Total	\$5,374 72

There was also included as part of the nursing service a contribution of \$500 to the National Organization for Public Health

Nursing. While the contributions for the relief of policyholders from flood or other such public disasters may be included as part of the welfare work, it would seem that the other gifts to institutions or organizations might more properly be reported in the line of contributions, which in the 1915 statement showed disbursements of \$1,450. In the 1916 statement all contributions have been reported under the head of general welfare work.

STAFF SAVINGS FUND

The accounts of the Staff Savings Fund, conducted for the purpose of encouraging saving on the part of the company's employees, were examined. There follows a statement showing the increase in this Fund from 1912 to 1915, together with the source of such increase:

Assets Dec. 31, 1915.....	\$2, 971, 038 24	
Assets Dec. 31, 1912.....	1, 808, 801 19	
Net increase for three years	\$1, 162, 237 05	
Deposits:		
1913	\$315, 743 50	
1914	361, 748 31	
1915	333, 153 34	
	\$1, 010, 645 15	
Company subscriptions:		
1913	\$135, 892 44	
1914	151, 233 18	
1915	138, 587 28	
	425, 712 90	
Interest:		
1913	\$98, 535 78	
1914	109, 602 15	
1915	128, 772 49	
	336, 910 42	
Guaranty fund created	7, 411 89	
Total	\$1, 780, 680 36	
Less withdrawals:		
1913	\$149, 824 08	
1914	214, 236 96	
1915	254, 382 27	
	618, 443 31	
	\$1, 162, 237 05	

Since the prior examination, the Guaranty Fund, amounting December 31, 1915 to \$7,411.89, has been created to cover any contingency or loss from depreciation of investments or otherwise, and for the further security of depositors. This Fund is to be increased in the discretion of the trustees by setting aside out of forfeitures due from retiring members such amounts as the trustees may deem expedient. In practice the trustees are setting aside the total net income above 5 per cent to certain forfeitures and occasional profits.

SANATORIUM

The Sanatorium at Mount McGregor, heretofore referred to, was practically completed by the fall of 1913. The first patient was admitted November 22, 1913. One month later, December 20, 1913, 36 patients had been admitted.

The Sanatorium was first planned to care only for employees suffering from tuberculosis, and during the first months of operation only tubercular cases were admitted. According to the report for the period ending February 20, 1914 there had been 52 patients admitted, of whom 49 were still at the Sanatorium. Of this number 31 were located in wards and 18 in the infirmary. The 49 patients were divided as to sex,—28 males and 21 females. As to the progress of the disease, the classification was as follows: Incipient stage 26.5 per cent; moderately advanced 51.2 per cent; far advanced 22.3 per cent.

Up to about July, 1915, tubercular cases only were treated, but at that time provision was also made for the care and treatment of those suffering from other diseases. In the meantime a more careful inspection of home office employees and the field force had been instituted in order to discover cases, as far as possible, while they were still in the incipient stage. For this reason the number of cases under treatment increased, and the classification of tubercular patients showed a change from that already given. For the period ending December 20, 1915, the total number of patients admitted was 325, of which 146 were still at the Sanatorium. Of these 146 patients 129 were tubercular cases, 12 non-tubercular, and 5 had not been diagnosed. The classification of tubercular patients then in the hospital was as follows: Incipient stage 31

per cent; moderately advanced 60.47 per cent; far advanced 8.53 per cent.

In the report on company's welfare work for the year 1914 there is included a report by Dr. Howk on the work of the sanatorium, which outlines fully the treatment given, with statistics to show the results obtained to the time such report was made. This report is filed with the working papers of the examination.

ORDINARY AND INTERMEDIATE DEPARTMENT CLAIM LIABILITIES

The various liability items due to claims in the Ordinary Department and Intermediate Branch were examined. By reason of subsequent information the figures as set up by the company at the end of the year could have been changed, but for purposes of our statement we have not made such changes. Claims in process of adjustment, and claims reported but no proofs received, were examined and figures accepted as substantially accurate. No change has been made in the amount reported for claims resisted.

It was noted that the liability for claims resisted is not the same as that reported in Schedule F. This is due in part to the fact that some cases are carried in Schedule F for the actual amount resisted, but in the statement liability they are carried for the full face of the policy. It would appear better practice for the company to use only the net amount resisted in those cases in suit, and where judgments have been secured against the company, to carry the amount of the judgment with interest and taxable costs.

Liability for losses incurred or unreported at the end of the year was increased by \$223,366. All items in the paid claim registers where death occurred in 1915, which were not included in other items of liability, were listed, the total amounting to \$497,153, and from this was deducted \$122,479 as reserves carried on these policies at the end of the year, such amount of reserve being \$246.36 per thousand dollars insurance, the average reserve on claims of 1915. The claims incurred but unreported at the Pacific Coast Head Office were increased \$2,939. This increase

consists of items that the company received notice of after the report was made up.

INDUSTRIAL CLAIM LIABILITIES

In checking the liability for Industrial claims in process of adjustment, and claims pending, there was found a deduction of \$32,671.92 for the amount of reserve carried on such pending cases at the end of the year. A test check was made with some 160 pending cases. Out of 55 incomplete claims, 20 were found to have lapsed in 1915, and the balance, 35, either were in force or had lapsed in 1916. Of 38 disappearance claims pending, two were found to have lapsed in 1915, and balance were still in force or had lapsed in 1916. This test would indicate that for the disappearance items the deduction of the amount of the reserve is justified, but that on the incomplete claims or on approximately one-half of the \$32,671 reserve deducted it is excessive by some \$6,000.

Resisted Claims:

The amount reported was found to be substantially correct, although as made up it only consists of the face amount of the claim without adjustments for mortuary bonuses, premiums, etc. The only claim registers kept by the company are one for paid claims and one for resisted claims. Open items December 31, 1915, were checked from the open files as at November 1, 1916, and from the register of claims paid in 1916. As in the case of the Ordinary and Intermediate Departments, the amounts reported in Schedule F for resisted claims do not agree with the liability items carried in the statement, due to the method of computation.

The company carried a liability for claims incurred but unreported at the end of the year, \$476,334.02. To check this item all claims paid in 1916 where death occurred in 1915 or prior were listed up to October 1, 1916, and from this list were excluded, so far as possible, items carried at the end of the year as in process of adjustment, etc. The policy amount, exclusive of mortuary bonuses, of the claims so listed, was \$765,611. From this amount we have deducted \$172,890 for reserve on the basis of

\$226 per thousand dollars of insurance. This increases the liability at the Home Office to \$592,721. The claims at the Pacific Coast were increased by the sum of \$13,879.

In addition to the face amount of the claims, the company paid \$40,127 in mortuary bonuses. For mortuary bonuses payable on deaths occurring in 1916 the company appropriated the sum of \$948,737. Up to November 1, 1916, payments of such bonuses amounted to \$750,887.31. This includes bonuses due on claims incurred but unreported December 31, 1915. It would seem ample to cover the unpaid bonuses December 31, 1915.

In the amount reported by the company, however, to cover the claim liability, there was included some \$45,085.55 as mortuary bonuses payable on claims unreported. If these bonuses are intended to be covered by the bonus appropriation at the end of the year, payable in the following year, then such amount should not have been included in the claim reserve, and the company's computation of claim liability would be still further incorrect. The differences in the liability as computed by the company and the examiners is due to the fact that the company made use of a ratio based upon its experience as found by the examiners in the prior 1912 examination.

Endowments Due and Unpaid:

December 31, 1915, the company reported matured endowments due and unpaid amounting to \$40,127.45. This amount was made up of 342 policies for \$38,431.95, in force according to the actuary's books, plus 26 policies for \$1,700.45 unpaid endowments in the Claim Division and at the Pacific Coast Head Office.

Of the latter 26 policies 13 for \$1,213.45 should not have been added to those reported by the actuary, as they were still in force, and formed part of the 342 policies. The remaining 13 for \$487 properly should have been included as due and unpaid in addition to the unpaid items shown by the actuary's records.

CLAIMS RESISTED

A thorough investigation of all claims in all Departments, payment of which was rejected during the years 1913, 1914 and 1915, was made. In examining these claims the object sought was not

so much to discover isolated cases of unfair treatment of claimants, but rather to discover so far as possible the general attitude of the company in its treatment of this class of cases, and also to discover whether methods in force in the Claim Division, and the investigations made outside of the Claim Division, were such as would result in bringing before those responsible for the rejection of claims the full facts in each case.

Cases rejected in each of the three years were as follows:

	Cases Rejected in Year			
	1913	1914	1915	Total
Industrial	353	333	500	1,186
Ordinary	23	12	16	51
Intermediate	37	46	54	137
	<u>413</u>	<u>391</u>	<u>590</u>	<u>1,374</u>

Notes were made on 54 Ordinary and Intermediate rejections and upon 276 Industrial rejections. These notes were submitted to the company's general solicitor and answers prepared by his department on 115 of the Industrial cases and on 24 of the Ordinary and Intermediate cases.

In proportion to total claims paid, rejections are very small as shown by the following figures:

Year	<i>Policies Rejected</i>	<i>Policies Paid</i>	<i>Percentage</i>
1913	353	158,721	.0022
1914	333	163,339	.0020
1915	500	169,301	.0029

	<i>Amount Rejected</i>	<i>Amount Paid</i>	
1913	\$52,014	\$19,047,909	.0027
1914	48,725	19,762,231	.0024
1915	77,049	20,701,362	.0037

It will thus be seen that rejections form but a small part of the total business handled by the claim division.

These rejections are largely, if not wholly, on issues made within one or two years prior to death. We have, therefore, prepared the following figures to show percentage of rejections to issues of the three years preceding the year of rejection.

<i>Year</i>	<i>Claims on Issues</i>		<i>Percentage</i>
	<i>Policies Reject</i>	<i>within three-years</i>	
1913	353	27, 663	.0127
1914	333	27, 653	.0120
1915	500	27, 488	.0181

	<i>Amount</i>	<i>Amount</i>	
1913	\$52, 014	\$2, 749, 798	.0189
1914	48, 725	2, 799, 841	.0174
1915	77, 049	2, 888, 883	.0266

So far as possible, the cases noted by the Examiner were grouped in different classes. In view of the relatively small number of cases noted not only in proportion to total payments but also to rejected cases examined, some 20 per cent only of such cases being written up, it is very difficult to draw any general conclusion of company practice based upon such notes. On the whole, suspicious cases seem to be handled fairly and on their merits. The practice of submitting such cases to the general solicitor before rejection has amply justified itself. Any discussion of rejected cases would seem to apply rather to particular cases or groups noted by the Examiners and not to involve criticism of any general policy in handling claims.

There follows a brief summary of the Examiners' notes and the results of interviews on same with the company.

Refund of Premiums:

Notes were made on 30 cases. The general answer was made that beginning with the year 1916 the company has refunded premiums in all cases where the claim was rejected. In the past, each case was treated alone, in some cases refund being made and in others not.

Legal Execution of Insured:

Four cases were noted of claims rejected because insured had been legally executed. No special answer was made on these cases, the company making the general reply that rejection was based upon public policy. In two of the cases noted the company quotes a decision of the United States Supreme Court to support

its action. One of the cases noted had been in force 16 years. This policy was paid upon review by the general solicitor.

Insured Murdered by Beneficiary:

Somewhat akin to the above are 20 cases noted as rejected because of claim that the beneficiary had murdered the insured. No specific answers by the company were made to these cases. The company took the position that the laws of the State in which claim arose were followed in each case. Of the 20 cases noted 10 had apparently not been paid at the time of write up and 10 had been paid either on review or as result of judgment, either in full, or by compromise. The question raised by the examiners was in view of the industrial facility of payment clause whether it would be in contravention of public policy to pay such claims where there was assurance that no part of the payment should reach the murderer.

Treatment over Two Years Prior to Date of Application:

Five cases were noted where insured had not admitted sickness or treatment two years prior to application. Only such treatment within two years is called for by the application although the policy contract does not limit the time in providing for voidance on account of certain diseases. Three of these cases were answered by the company. The fact that only five such cases were noted in three years and that of these three were subsequently paid, minimizes the importance of this point which is otherwise well taken.

Incontestible Period:

Fifteen cases were noted of rejection after contestible period had passed. The industrial policies are not incontestible for fraud at any time. Of these 15 cases answers by the company were made to 11. Its general position is that misrepresentation or denial in the application is sufficient to justify rejection for fraud. Four of the 15 cases were subsequently paid.

Gratuities:

Twenty-four cases were noted in which claims fairly subject for rejection had been paid as "gratuities" either on pleas of poverty

or for business reasons. No answers were submitted on these claims. Probably this is a matter of business judgment, responsibility for which should rest with the company.

Insufficient Investigation and Form No. 66:

Fifty-eight cases were noted in which the examiners were of the opinion that further investigation both for the protection of the company and claimant should have been made. Many of these cases were undoubtedly bad claims. That the Examiner's comment may be more or less justified is indicated by the fact that thirty of these fifty-eight cases were subsequently paid in whole or by substantial compromise as a result of judgment, suit or review by the General Solicitor. The company made answer to twenty-five of these cases. The Claim Department hereafter will make further investigation of such cases to bring out before rejection the dates of treatment by physician and ailments where such treatment apparently antedates the policy.

Treatment Admitted:

Twenty-four cases were noted in which insured had admitted treatment in the application. Ten of these cases were answered; six cases were subsequently paid. The admissions made were often incorrect both as to date and nature of ailment treated.

Alleged Lack of Investigation, etc.

Eighty-seven cases were noted of which fifty-eight were answered by the company in which the evidence did not seem to warrant rejection. While practically all these cases were rejected for prior treatment denied or an unsound health at issue, it would appear that in probably half of them the true reason was speculation suspected by reason of habits, non-relative beneficiary, interest of undertakers and general bad conditions of the risk or claim. Of these eighty-seven cases noted, forty were subsequently paid in whole or by substantial compromise as a result of suit, judgment or review by the General Solicitor.

Ordinary and Intermediate:

Thirty-five cases were noted in which fraud was not established to the satisfaction of the examiners. Of these twenty-one cases

were subsequently paid or compromised as a result of suit, judgment or review. Three cases noted for admission in applications all subsequently paid on review.

Seven cases were noted as having passed the contestible period and of these four were subsequently paid.

Five cases were noted as having been rejected because insured was not in good health at delivery although there was no policy condition requiring such good health. One of these cases was subsequently compromised.

Schedule F:

Schedule F as compiled by the company is not made up strictly in accordance with the provisions of Section 103 of the Insurance Law, which requires a schedule showing all death claims resisted or compromised during the year, with particulars as to the sums insured, sums paid, and reasons assigned for resisting or compromising the same in each case. Neither does it follow strictly the practice which the Department has considered necessary in the preparation of this schedule.

1. The company fails to show in the schedule all claims resisted within the year covered by the schedule. When a claim is rejected it is given a rejection number, but if paid within the year of rejection — either as a result of suit and judgment against the company or after a protest has been made by the claimant or his attorney, or as a result of a reconsideration of the facts by the company — the claim is not shown in the schedule as having been resisted. Only resisted claims still pending at the end of the year are shown in the schedule.

Omissions of this class of cases were numerous, and were noted by the examiners among the cases written up.

2. The above method of omitting claims would seem to be against the intent of the schedule, the purpose of which apparently is to show the disposition of cases which have been resisted, whether such were settled in full on judgment or in any other way. By omitting these cases, no opinion can be formed based upon the facts in the schedule of the experience of the company on its resisted claims. It was intimated by Mr. Carshaw of the Claim Department that the provisions of the law do not require these

cases to be reported, but that the company would have no objection to showing same if the Department so wished.

3. The company does not report in the schedule the amount of any judgment secured, plus costs, interest, etc., as the amount of its liability, but carries only the face amount of the policy. It would seem that in the case of judgments, the amount of such judgment is the company's liability until the judgment is paid or reversed as the result of an appeal.

4. In computing its liability the company uses the "Amount paid" column in the schedule, which is usually the face amount of the policy, whereas the true liability would seem to be the amounts set forth in the resisted column, which should show the net amount due from the company. To show this amount, loans with interest and due or deferred premiums or other credits should be deducted from the face of the policy, and there should be added advance premiums or bonuses. In some cases the schedule amounts include deductions or additions for premiums due, or for those paid in advance, while in others they do not. In the Industrial Department in making up the items of premiums paid in advance or premiums in arrears, only those policies are taken into consideration which are in force on the agents' collection books. No amounts are included on account of death claims. The resisted liability on claims should also be the net amount payable, rather than the face of the policy, in cases where the law limits the amount payable, as, for instance, infantile policies.

5. All suits on policy claims are not shown in the schedule, the exceptions usually being on account of claims which had been paid but in which a second party had started suit to enforce payment a second time. This exception does not include interpleader cases where no payment of the claim has been made. Another exception was on alleged cancelled policies, and also suits for the reformation of the policy contract. Among the latter may be mentioned 79753, 47034550 and others.

6. Various other inaccuracies were noted in the amounts reported in the schedule, including cases omitted in one year but brought back in the succeeding year. This is probably due to the manner in which the rejected claim register is kept, and also to the fact that certain entries in the schedule are made from the Law

Department files, in which the open cases are kept on cards with no book record to show all cases which have been handled by that department, while the balance of the cases in the schedule are from the Claim Department. The result in dollars and cents is of small amount, but the inaccuracies are mentioned because it is believed that Schedule F as reported should be accurate so far as possible.

7. The practice of the company in dropping cases from Schedule F after no signs of activity for the period of one year, in the case of industrial policies in suit or rejected, appears to be the result of a ruling by Chief Examiner Hadley of the Insurance Department. It is not known whether this ruling applies also to Ordinary and Intermediate claims. However, claims in both departments dropped for this reason have to be taken back into the schedule because of legal action subsequently taken or renewed. It would appear better practice if in preparing Schedule F there should be included all cases dropped during the year for any reason, including those dropped because of no action by claimant.

8. The amount stated as paid in Schedule F is not always the entire amount paid. When cases are compromised, very often the company confesses judgment, and in addition to the amount paid on the claim also pays the taxable costs, etc. The entire amount paid in settlement of the claim would appear to be the amount which should be reported in Schedule F.

GAIN AND LOSS EXHIBIT

In connection with the company's method of preparing its Gain and Loss Exhibit for the past three years, we would call your attention to the following:

In computing mortality gains or losses in the Industrial Department, the company, beginning with the 1913 exhibit, included as part of the claim losses paid mortuary bonuses. These bonuses have elsewhere been described, and are payable on those policies becoming claims in the year following their appropriation. When appropriated they are included as part of the sum set aside for bonuses, or since the mutualization of the company as part of Industrial dividends payable. They are not paid up additions, but are contingent upon a claim occurring in the year following

appropriation, and if any part of the appropriation at the end of the following year has not been used, it reverts back to surplus. Including such mortuary bonuses as part of the claim payment results in an apparent decrease in the true gain from mortality, and a like decrease in the loss on account of bonuses or dividends. The amounts so paid as mortuary bonuses in each of the three years, 1913, 1914 and 1915, are as follows: 1913, \$1,597,515.33; 1914, \$1,687,169.77; 1915, \$1,187,063.44.

The Industrial gains or losses from mortality as prepared by the company, and less these payments of mortuary bonuses, were:

	<i>Company's Loss From Mortality</i>	<i>Gain or Loss Less Mortuary Bonus</i>
1913	— \$2, 317, 148 10	— \$719, 632 77
1914	— 940, 443 65	+ 746, 726 12
1915	— 403, 700 75	+ 783, 362 69

Corresponding figures for losses from bonuses as reported and as corrected are:

	<i>Loss from bonuses reported</i>	<i>Loss from bonuses corrected</i>
1913	\$4, 184, 005 49	\$5, 781, 520 82
1914	4, 649, 084 79	6, 336, 254 56
1915	3, 782, 203 47	4, 969, 266 91

It has also been a practice, even for years prior to the last examination, to report as a separate loss item the expense for welfare work. For the three years, 1913, 1914 and 1915 these losses so reported were:

	<i>Ordinary Department</i>	<i>Industrial Department</i>
1913	\$33, 273 60	\$1, 050, 456 21
1914	61, 883 47	1, 140, 315 20
1915	118, 668 95	1, 431, 439 74

The items included in the 1915 disbursements were:

ORDINARY DEPARTMENT

Sick, disabled and inactive agents and clerks.....	\$1, 681 38
Maintenance and service, Mt. McGregor Sanatorium.....	45, 469 53
Medical service to employees.....	2, 867 55
Metropolitan staff savings fund.....	26, 464 06
Employees disability insurance premiums	31, 326 13

Employees' life insurance premiums.....	10,522 45
Madison Co-operative Association (clerks).....	229 36
Contributions	108 49
Total	<u>\$118,668 95</u>

INDUSTRIAL DEPARTMENT

Sick, disabled and inactive agents and clerks.....	\$220,331 65
Maintenance and service, Mt. McGregor Sanatorium.....	190,743 64
Medical service to employees	12,061 41
Metropolitan staff savings fund.....	110,841 03
Employees' disability insurance premiums.....	98,922 18
Employees' life insurance premiums.....	28,974 27
Madison Co-operative Association.....	570 64
Contributions	1,341 51
General welfare work.....	161,111 38
Total	<u>\$824,897 71</u>

The nature of these various items does not require extended discussion. Payments to sick and inactive clerks include allowances in case of sickness, and year to year payments in lieu of pensions. Most of the other items, with the exception of general welfare work and the nursing service, are payments for the benefit of the employees made in addition to their salaries. In some instances, as in the case of Staff Savings Fund and the Sanatorium, rental of space occupied and salaries are included to show the correct cost of the service. All these expenses would seem properly a part of the general insurance expenses of the company, and as such should be included in the total of expenses used to determine the gain or loss from loading. They are so considered by the Actuarial Department in considering the amounts available for the payment of dividends.

Test checks were made of the items entering into the computation of gains or losses from loading, interest, mortality, annuities and the miscellaneous items in the exhibit, and no errors other than as above noted.

OFFICERS' SALARIES

There follows a schedule showing the officers and salaries of each for the years 1913, 1914 and 1915:

		1913	1914	1915
Hegeman, John R.	President.....	\$90,000	\$90,000	\$90,000
Fiske, Haley.....	Vice-President.....	85,000	85,000	85,000
Craig, James M.....	Actuary.....	30,000	30,000	30,000
Ecker, Frederick H.....	Treasurer.....	42,500	45,000	47,500
Gaston, George H.....	2d Vice-President.....	40,000	40,000	40,000
Woodward, George B.....	3d Vice-President.....	30,000	30,000	30,000
Ayres, Frank O.....	4th Vice-President.....	25,000	26,000	26,000
Taylor, Frederick F.....	5th Vice-President.....	17,000	18,000	18,000
Frankel, Lee K.....	6th Vice President.....	18,000	19,000	20,000
Stabler.....	Comptroller.....	20,000	20,000	20,000
Roberts, James S.....	Secretary.....	11,000	12,000	12,000
Tully, William J.....	Solicitor.....	20,000	20,000	20,000
Scott, George B.....	Assistant Secretary....	12,000	13,000	13,000
Willard, Thomas M.....	Medical Director.....	18,000	19,000	19,500
Knight, Augustus S.....	Medical Director.....	18,000	19,000	19,500
Barry, James V.....	Assistant Secretary.....	14,000	15,000	15,000
Reiter, Charles G.....	Assistant Actuary.....	9,500	10,000	10,000
Brown, James C.....	Assistant Actuary.....	6,500	7,000	7,250
Craig, James D.....	Assistant Actuary.....	6,000	6,750	7,250
Carpenter, R. V.....	Assistant Actuary.....	5,200	6,000	6,500
Hegeman, J. R., Jr.....	Assistant Secretary....	6,000	6,500	6,500
Thompson, J. J.....	Assistant Secretary....	5,000	5,000	5,000
Richardson, T. R.....	Assistant Secretary....	5,500	5,500	6,000
Penhallow, George C.....	Assistant Secretary....	7,500	7,500	7,500
	Bonus 250	Bonus 250	Bonus 250	
Manners, W. S.....	Asst. Medical Director.	8,000	8,500	8,500
Holden, E. M.....	Asst. Medical Director.	8,000	8,500	8,500
Gedge, W. M.....	Asst. Medical Director.	6,500	7,000	7,500
Ogden, J. Bergen.....	Asst. Medical Director.	8,000	8,500	8,750
George, Henry W.....	Assistant Treasurer....	7,500	8,500	9,500
Quick, Walter.....	Auditor.....	6,500	7,500	8,500

CONCLUSION

In conclusion it is proper to add that in their work the examiners have met with the usual courtesy and help from the company's officers and employees which past experience with the company would lead us to expect. For himself the examiner in charge desires to record his appreciation of the intelligence, skill and interest shown by the examiners who have so ably assisted in this long and difficult examination. In addition to our own men, Mr. J. O. Melin, Chief Examiner of the Minnesota Insurance Department, was present during the greater part of the work of examination, and rendered the capable assistance which his position and experience would qualify him to give.

THE MORRIS PLAN INSURANCE SOCIETY

NEW YORK CITY

*Examined on organization.**Report dated September 17, 1917.**Examiner: John H. Kirker.*

NEW YORK LIFE INSURANCE COMPANY

NEW YORK CITY

*Examined to ascertain condition December 31, 1916.**Report dated March 25, 1918.**Examiner: Nelson B. Hadley.*

The regular triennial examination of the New York Life Insurance Company, made in accordance with your appointment No. 4124, dated November 18, -1916, has been completed. The examination was made as of December 31, 1916.

This company was incorporated in 1841 and began business in 1845 as the Nautilus Insurance Company, but by a special act of the Legislature, the corporation was authorized to change the name to the New York Life Insurance Company, to take effect April 5, 1849. In 1912, the board of directors voted to amend the charter under which the company was operating, which was a perpetual charter granted July 12, 1893, and subsequently did amend the charter as provided for in section 52 of the Insurance Law, so that it is now authorized to make insurance upon the lives or the health of persons and every insurance appertaining thereto, and to grant, purchase or dispose of annuities, and to make endowments, and to receive and execute trusts, and insurance against injury, disablement or death resulting from travel or general accident, and against disablement resulting from sickness, and every insurance appertaining thereto.

ORGANIZATION

This being a mutual company, the policyholders elect the members of the board of directors (24). The board of directors elects the officers and standing committee, the latter upon nomination by the president. The president is charged with the general supervision and direction of the business of the company and is ex officio a member of all committees. He appoints, with the approval of the board, actuaries, comptrollers, auditors, general counsel, medical directors, junior officers and superintendents of departments.

The standing committees are:

Finance: Consisting of the treasurer and seven directors. This committee has supervision of the funds of the company. No purchase or sale shall be made without assent of all members present. It directs the making and changing of investments subject to specific authority otherwise conferred by the board.

Executive: Consisting of a vice-president and seven directors. The duties of this committee are to authorize and supervise all expenditures of the company, other than those specifically assigned to some other committee.

Agency: Consisting of a vice-president and seven directors. The duties of this committee are to supervise the appointment of agents, agency directors, inspectors of agencies and employees engaged in acquisition of new business.

Loss: Consisting of four directors, a secretary, general counsel and superintendent of division of policy claims. Its duties are to supervise and govern the payment of policy claims.

Auditing: Consisting of four directors, a secretary, a comptroller and an auditor. This committee has general supervision of all receipts and disbursements, checking same with cash book, investment record and entries in general ledger.

Office: Consisting of three directors and the officers of the company. It is the duty of this committee to authorize and supervise all appointments and removals of employees of the company, except as otherwise provided in the by-laws.

The growth of the business during the period covered by this examination, both as regards insurance in force and assets and liabilities, is shown in the following tables:

	<i>No. of Policies</i>	<i>Amount of Insurance</i>
Policies in force at end of 1913.....	1, 101, 655	\$2, 273, 099, 212
Issued, revived and increased during 1914.....	109, 265	238, 854, 169
Decrease as compared with 1913 issues.....	2, 603	9, 705, 090
Terminated during 1914	68, 658	164, 854, 993
Increase as compared with 1913 terminations....	6, 524	19, 710, 253
Policies in force at end of 1914.....	1, 142, 253	2, 347, 098, 388
Increase over amount in force at end of 1913....	40, 598	73, 999, 176
Issued, revived and increased during 1915.....	107, 700	228, 894, 191
Decrease as compared with 1914.....	1, 556	9, 959, 978
Terminations during 1915.....	74, 632	172, 191, 701
Increase as compared with 1914 termination....	5, 974	7, 336, 708
Policies in force at end of 1915.....	1, 175, 321	2, 403, 800, 873
Increase compared with amount in force at end of 1914	33, 068	56, 702, 490
Issued, revived and increased during 1916.....	129, 307	278, 102, 685
Increase as compared with 1915 issues.....	21, 607	49, 208, 494
Terminations during 1916	76, 027	170, 296, 289
Increase as compared with 1915 terminations....	1, 395	1, 895, 412
Policies in force at end of 1916.....	1, 228, 601	2, 511, 607, 274
Increase compared with amount in force at end of 1915	53, 280	107, 806, 396
Increase compared with amount in force at end of 1914	86, 348	164, 508, 886
Increase compared with amount in force at end of 1913	126, 946	238, 508, 062

FINANCIAL STATEMENT

The following statement shows the assets and liabilities of the company as of December 31, 1916, and the income disbursements for the year ending December 31, 1916:

<i>Income</i>		
First year's premiums on original policies..	\$10, 119, 296 55	
Dividends applied to purchase paid up addi- tions and annuities	2, 288, 613 14	
Consideration for original annuities involv- ing life contingencies.....	430, 636 68	
Consideration for supplementary contracts involving life contingencies.....	356, 058 21	
Total new premiums.....		\$13, 194, 604 58

Renewal premiums	\$75,781,463 45	
Dividends applied to pay renewal premiums..	6,578,910 44	
Surrender values applied to pay renewal pre- miums	153,640 53	
Renewal premiums for deferred annuities..	83,678 64	
Total renewed premiums		82,597,693 06
Extra premiums included in life policies for total and per- manent disability benefits and for additional accidental death benefits		367,401 00
Total premium income		\$96,159,698 64
Consideration for supplementary contracts not involving life contingencies		1,532,847 25
Dividends left with the company to accumu- late at interest (including surrender values of reversionary additions left on deposit, \$142,390.32)		680,792 37
Gross interest on mortgage loans, less \$182,- 496.64 accrued interest on mortgages ac- quired during 1916	\$7,825,743 66	
Gross interest on collateral loans.....	8,250 00	
Gross interest on bonds and dividends on stocks, less \$426,447.73 accrued interest on bonds acquired during 1916.....	20,948,990 45	
Gross interest on premium notes, policy loans or liens	7,875,118 07	
Gross interest on deposits in trust companies and banks	512,881 94	
Gross discount on claims paid in advance..	17,871 32	
Gross rent from company's property, includ- ing \$307,693.60 for company's occupancy of its own buildings	919,912 72	
Gross interest and rents.....		38,108,768 16
Commissions advanced in previous years now repaid	\$20,350 68	
Policy fees	4,171 02	
Exchange	768,814 13	
Doubtful debts recovered	1,894 50	
Bonuses received for prepayment or extension of mortgage loans.....	7,856 39	
Income tax deducted at source.....	189 96	
		803,276 68
Deposits received in guarantee of purchase of real estate and of rents		219,055 00

Gross profit on sale or maturity of ledger
assets, viz.:

(a) Real estate	\$100,000 00
(b) Bonds	954,835 73

1,054,835 73

Gross increase by adjustment in book value
of ledger assets, viz.:

(a) Real estate	\$39,342 44
(b) Bonds (including \$345,940.08 for accrual of discount)	401,857 14
(c) Bond and mortgage	7,737 79

448,937 37

Total income.....	139,008,211 20
Ledger assets December 31, 1915.....	837,676,332 88

Total	\$976,684,544 08
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Disbursements

Death claims, less reinsurance, plus additions \$29,328,613 40

Matured endowments, plus additions..... 11,387,742 69

Total and permanent disability:

Premiums waived during
the year \$22,477 50

Payments made to policy-
holders during the year... 15,019 50

37,497 00

Net amount paid for losses and matured endow- ments	\$40,753,853 09
Annuities involving life contingencies.....	1,414,154 02
Surrender values paid in cash or applied in liquidation of loans or notes.....	19,397,720 47
Surrender values applied to pay renewal premiums.....	153,640 53
Dividends paid to policyholders in cash or applied in liquidation of loans or notes.....	10,288,993 63
Dividends applied to pay renewal premiums.....	6,578,910 44
Dividends applied to purchase paid-up additions and annuities	2,288,613 14
Dividends left with the company to accumulate at interest	538,402 05
Expense of investigation and settlement of policy claims, including \$34,034.22 for legal expense.....	39,956 81
Paid for claims on supplementary contracts not involving life contingencies	686,023 33
Dividends and interest thereon held on deposits surrendered during the year	91,102 30

Commissions to agents (less commission on reinsurance):		
First year's premiums	\$4,767,242 19	
Renewal premiums	1,975,933 57	
Annuities (original)	16,580 39	
Annuities (renewal)	1,017 46	
		6,760,876 91
Compensation of managers and agents not paid by commission for services in obtaining new insurance.....		26,043 36
Agency supervision and traveling expenses of supervisors (except compensation for home office supervision).....		954,397 34
Branch office expenses, including salaries of managers and clerks not included above.....		1,087,324 49
Medical examiners' fees, \$423,954.43; inspection of risks, \$106,350.10		530,304 53
Salaries and all other compensation of officers, directors, trustees and home office employees.....		1,992,827 47
Rent, including \$307,693.60 for company's occupancy of its own buildings, less \$2,084.18 received under sub-lease....		600,119 59
Advertising		\$44,435 86
Printing and stationery		268,081 60
Telephone, telegraph and express.....		248,926 91
		561,444 37
Legal expense, not included in item for investigation and settlement of claims.....		22,631 16
Furniture, fixtures and safes.....		92,600 50
Repairs and expenses (other than taxes) on real estate....		290,074 62
Taxes on real estate		202,991 14
State taxes on premiums		968,073 02
Insurance Department licenses and fees.....		25,569 30
Federal corporation tax.....		\$113,338 82
Local licenses and taxes.....		51,945 55
Tax on policy reserves.....		60,822 00
Miscellaneous taxes, including \$56,767.03 tax on interest receipts		90,611 20
		316,717 63
Paid agents under Nylie contracts.....		\$839,273 97
Doubtful debts marked off.....		8,144 81
Fire losses		10,947 88
Settlement of judgment		2,479 70
Remittances not yet adjusted.....		4,100 53
Books, papers and subscriptions.....		13,905 83
Special inspection reports.....		6,138 66
Lunch for company's employees.....		93,137 14
Miscellaneous items of expense.....		11,953 01
Legislative and departmental		5,985 17
Expenses of Directors' election, 1917.....		1,459 91
Traveling expenses		15,500 60

Examination and audit of company's accounts	3,808 08	
Miscellaneous interest payments	15,557 34	
Bank charges	8,347 57	
Custody of and insurance on securities....	25,756 93	
Premiums on fidelity bonds.....	6,978 64	
Real estate commissions and fees.....	5,500 00	
Real estate and mortgage department expenses	12,721 65	
		1,091,697 42
Gross loss on sale or maturity of bonds.....		786,142 97
Gross decrease by adjustment in book value of ledger assets, viz.:		
(a) Real estate	\$907,440 04	
(b) Bonds (including \$296,259.44 for amortization of premiums)	2,144,388 17	
(c) Bond and mortgage	373 33	
		3,052,201 54
Total disbursements		\$101,593,407 17
Balance		\$875,091,136 91

Ledger Assets

Book value of real estate.....	\$11,257,500 00	
Mortgage loans on real estate.....	164,579,647 67	
Loans made to policyholders on this company's policies	156,428,313 33	
Premium notes on policies in force.....	4,891,596 78	
Book value of bonds.....	\$521,677,348 14	
Book value of stocks.....	294,671 88	
		521,972,020 01
Cash in company's office.....	3,402 82	
Deposits in trust companies and banks not on interest	1,530,682 56	
Deposits in trust companies and banks on interest	13,958,395 96	
Bills receivable	544 50	
Branch office debit balances. \$187,788 51		
Credit	89,199 32	
		98,589 19
Cash in company's branch offices, \$77,186.10;		
Cash in transit, \$293,257.99.....	370,444 09	
Total ledger assets, as per balance.....		\$875,091,136 91

Non-Ledger Assets

Interest due and accrued on mortgages....	\$2,592,250 91
Interest due and accrued on bonds.....	8,018,853 69

Interest accrued on premium notes, policy loans or liens.....	845,106 19	
Interest due and accrued on bank balances..	68,902 00	
Rent due and accrued on company's property or lease	28,868 29	
Total interest and rents due and accrued.....		11,553,981 08
Due from other companies for losses or claims on policies of this company reinsured.....		72,997 50
Net amount of uncollected and deferred premiums.....		10,546,955 42
Gross assets		\$897,265,070 91

Deduct Assets Not Admitted

Bills receivable	\$544 50	
Due for reinsurance on paid claims.....	72,997 50	
Book value of ledger assets over market value, viz.: on stocks and bonds.....	3,911,316 63	
Branch office debit balances.....	187,788 51	
Amount included in policy loans for loan on policy not in force.....	1,496 00	
		4,174,143 14
Total admitted assets		\$893,090,927 77

Liabilities

Net reserve — paid for basis.....	\$700,296,680 00	
Extra reserve for total and permanent disability benefits, \$295,508.00; and for additional accidental death benefits \$5,573.00, included in life policies.....	301,081 00	
Present value of amounts not yet due of supplementary contracts not involving life contingencies.....	4,867,688 84	
Present value of amounts incurred but not yet due for total and permanent disability benefits.....	175,504 00	
Liability on policies cancelled and not included in "net reserve" upon which a surrender value or reinstatement may be demanded.....	436,828 38	
Reserve for extra interest on continuous installment policies	9,973 80	
Claims for death losses in process of adjustment, or adjusted and not due.....	\$2,007,465 53	
Claims for death losses reported for which no proofs have been received net.....	3,429,067 33	
Reserve for death losses incurred but unreported	1,500,000 00	
Claims for matured endowments due and unpaid	1,488,050 40	
Claims for death losses and other policy claims resisted	610,914 83	

Claims for total and permanent disability benefits \$37,656.00, including \$3,089.98 resisted	41, 145 98
Due and unpaid on annuity claims involving life contingencies	162, 094 74
Total policy claims	9, 238, 739 90
Due and unpaid on supplementary contracts not involving life contingencies	4, 722 01
Due and unpaid surrender values	1, 080 25
Dividends left with the company to accumulate at interest and accrued interest thereon	1, 468, 674 90
Premiums paid in advance, including surrender values so applied	407, 355 60
Unearned interest, \$3,231,535.19; and rent, \$34,222.31, paid in advance	3, 265, 757 50
Commissions due to agents on premium notes when paid	48, 772 19
Commissions to agents, due or accrued	9, 140 81
Salaries, rents, office expenses, bills and accounts due or accrued (including \$1,902.96 accrued charges on deposits)	155, 247 79
Medical examiners' fees, \$28,056.22; inspectors' fees, \$3,101.70; and legal fees, \$3,257.27, due or accrued	34, 415 19
Estimated amount hereinafter payable for Federal, State and other taxes based upon the business of 1916 (including \$19,750.79 accrued taxes on interest and deposit)	1, 398, 093 78
Dividends or other profits due policyholders, including those contingent on payment of outstanding and deferred premiums	1, 478, 674 31
Dividends declared on or apportioned to annual dividend policies payable to policyholders to and including December 31, 1917, whether contingent upon the payment of renewal premiums or otherwise	10, 769, 464 00
Dividends declared on or apportioned to deferred dividend policies payable to policyholders to and including December 31, 1917	12, 539, 749 78
Amounts set apart, apportioned, provisionally ascertained, calculated, declared or held awaiting apportionment upon deferred dividend policies not included above	87, 318, 466 00
Security fluctuation and general contingency fund	52, 709, 591 95
Annual dividend equalization fund	2, 021, 920 00
Reserve for future expenses on paid-up annual dividend policies	430, 000 00
Due agents under Nylie contracts	7, 686 79
Reserve for Nylie contracts	3, 450, 227 00
Income tax deducted at source, \$6,268.56; reserve for unclaimed receipts, \$20,068.44	26, 337 00
Guarantee deposits on real estate and rents	219, 055 00
Total	\$893, 090, 927 77

*Schedule of Differences Between Items in Foregoing Statement
and Company's Annual Statement to This Department*

INCOME:	Additions	Deductions	SECURITY FLUCTUATIONS AND GENERAL CONTINGENCY FUND	
			Increased	Decreased
First year's premiums		\$103 88		
Renewal premiums		18 08		
DISBURSEMENTS:				
Death claims	\$417 99	4,150 91		
Dividends		436 07		
Renewal commissions	103 30			
Taxes-miscellaneous		1 00		
Matured endowments	3,318 00			
Law expenses	832 91			
LEDGER ASSETS:				
Policy loans		3,350 00		\$3,350 00
Branch office balances	3,351 00	297 18	\$3,143 82	
NON-LEDGER ASSETS:				
Due and unpaid and deferred premiums		397,498 66		397,498 66
Interest due and accrued on mortgages		1,119 84		1,119 84
ASSETS NOT ADMITTED:				
Due for reinsurance on paid claims	72,997 50			72,997 50
Branch office balances	3,143 82			3,143 82
Policy loans	1,496 00			1,496 00
Book value over market value of bonds and stocks		26,578,548 20	26,578,548 20	
LIABILITIES:				
Reserve for extra interest payments on continuous installment policies	9,973 80			9,973 80
Present value of amounts not yet				

due on supplementary contracts not involving life contingencies	18,211 51	18,211 51
Unsettled disability claims	400 00	400 00
Unpaid surrender values	1,080 25	1,080 25
Premiums paid in advance	533,356 23	533,356 23
Commissions due agents on premium notes when paid	5,076 86	5,076 86
Salaries, rents, bills accounts due or accrued	35,896 38	35,896 38
Claims for death losses in process of adjustment	1,525 00	1,525 00
Claims rebated	2,505 42	2,505 42
Dividends due and unpaid	419 73	419 73
	\$27,133,259 76	\$536,483 26
	536,483 26	
Net increase	\$26,596,776 50	
Amount of fund as per annual statement....	28,134,735 45	
Amount of fund as per examiners' statement..	\$54,731,511 95	

Income

The deductions from first year and renewal premiums are for errors in posting branch office accounts of the Yorkville and River Plate branches. One hundred and three dollars and eighty-eight cents credited to ledger account, "First year's premiums," should have been credited to "Branch offices." Eighteen dollars and eight cents credited to "Renewal Premiums" should have been credited to "Dividends."

Disbursements

Death Claims:

Addition of \$417.99 on account of tontine dividend on policy No. 730261, having been discounted and charged to dividends,

company deducting a premium for term insurance to maturity on tontine period from settlement. The insured died before maturity of the tontine period and the amount previously charged to dividends should be credited to dividends and charged to death claims. The deduction from "Death claims" of \$4,150.91 is made up of a charge of \$3,318, paid on policy No. 157091, which matured as an endowment some years ago and no claim made, and \$832.91, which represents an amount paid on a fraudulent death claim and later recovered and credited to "Law expenses," when it should have been credited to "Death claims."

Dividends:

The deduction of \$436.07 is made up of \$417.99, spoken of above under "Death claims" and \$18.08 which was credited to income item renewal premiums and should have been credited to "Dividends."

Renewal Commissions:

The addition of \$103.20 is for error in crediting to this account instead of to branch office balances in posting Yorkville branch office accounts.

Taxes, Miscellaneous:

Deduction of one dollar for error in crediting to branch office balances in report of River Plate branch office instead of this account.

Matured Endowments:

The addition of \$33.18 to this account is explained under "Death claims."

Law Expenses:

The addition of \$832.91 is the offset of amount deducted from "Death claims" and explained under that heading.

Ledger Assets

Policy Loans:

The deduction of \$3,350 is on account of error in posting a journal entry for payment of death claim by European depart-

ment, branch offices account being credited with \$10,141.81, the total paid, whereas \$6,791.81 should have been credited to branch offices and \$3,350 to policy loans.

Branch Office Balances:

Addition of \$3,351 is made up of \$3,350 referred to above and one dollar deducted from "Taxes" under disbursements and explained previously. The deduction of \$207.18 is made up of deduction from income item first year premiums, \$103.88, and addition to disbursement item "Renewal Commission," \$103.30.

Non-Ledger Assets

Due and Unpaid and Deferred Premiums:

The deduction of \$397,498.66 is made up of additions to figures reported of \$8,377.57 less \$5,019.56, or a net addition of \$3,358.01 for errors found in checking reports from branch offices of due and unreported premiums, and a deduction of \$533,356.23, which represents cash payments made at time of giving notes for premiums. These amounts represent gross premiums.

The deduction of	\$533,356 23
Less addition of	3,358 01
Gives a deduction of gross premiums of.....	\$529,998 22
Less loading 25%.....	132,499 56
Gives amount deducted	\$397,498 66

Interest Due and Accrued on Mortgages:

The deduction of \$1,119.84 is on account of errors in calculating accrued interest, found in check of mortgages and referred to in discussing assets.

Assets Not Admitted

Due for Reinsurance on Paid Claims:

This amount, viz., \$72,997.50, is added by examiners, for the reason that the companies from which it is due are not admitted to do business in this State.

Branch Office Balances:

The addition to amount deducted by company in this line in its annual statement, viz., \$3,143.82, is made up as follows:

Error in crediting this account and should be "Policy Loans"	\$3,350 00
Error in crediting this account and should be "Taxes".....	1 00
	\$3,351 00
Less for error in crediting first year and renewal pre- miums when this account should be credited.....	207 18
	\$3,143 82

These errors have all been explained previously.

Policy Loans:

The deduction of \$1,496 is made necessary on account of the company including in the asset item "Policy loans" a loan of this amount on policy No. 777399. The insured under the policy died in 1914.

Book Over Market Value of Bonds and Stocks:

The deduction of this item from "Assets Not Admitted" is on account of deduction made of \$3,911,316.63, which is the excess of book over market value of stocks and bonds not subject to amortization, whereas the company deducts the excess of book over market value of all bonds and stocks, in amount \$30,489,-864.83, taking credit for this asset at the market and not at the amortized value. The difference, \$26,578,548.20, is the amount by which the examiners decrease amount deducted by company.

*Liabilities**Reserve for Extra Interest Payments on Continuous Installment Policies:*

The examiners have inserted this line and set up \$9,973.80, which is made up of \$10,380.21, the liability for extra interest which is not a matter of contract, which the company includes in the liability for "Present value for supplementary contracts" and which the examiners have deducted from that item, less \$406.41 erroneously included.

Present Value of Amounts Not Yet Due on Supplementary Contracts Not Involving Life Contingencies:

The deduction of \$18,211.51 is made up as follows:

Interest on Supplementary contracts.....	\$16, 507 97
Extra interest on continuous installment policies.....	10, 380 21
	\$26, 888 18
Less:	
Error File No. 1109, should be.....	\$2, 779 78
And stated as	1, 402 88
	\$1, 376 90
Company deducts amount due from unadmitted companies	7, 299 77
	8, 676 67
	\$18, 211 51

In calculating the liability on supplementary contracts, the company includes interest to anniversary date in 1917 and deducts therefrom six months' interest. The examiners calculated the interest on each contract from the last payment in 1916 to December 31, 1916, and found that the amount of interest which should be included in the liability was \$73,442.57, whereas the company's calculations make it \$89,950.54, or a difference of \$16,507.97 to be deducted. The amount \$10,380.21 is explained under a previous item.

The details of amount by which we decrease our deductions are self-explanatory.

Unsettled Disability Claims:

The addition of \$400 is for a claim omitted.

Unpaid Surrender Values:

One thousand and eighty dollars and twenty-five cents. This line has been added to take care of the liability on December 31, 1916, for error in figuring exchange on a Mexican policy surrendered, discussed under "Accounting."

Premiums Paid in Advance:

The deduction of \$533,356.23 is on account of the company's including in gross due and unreported premiums, cash payments

made, and setting up a liability for same in his line. Examiners have deducted from unreported premiums and also from this line.

Commissions Due to Agents on Premium Notes When Paid:

The addition of \$5,076.86 is due to difference in calculation. The company arrives at its figures as follows:

Total blue notes outstanding December 31, 1916.....	\$1,092,383 45	
Add cash taken at time of note (approximately 1/3)	364,127 82	
		\$1,456,511 27
Commission—estimated rate 3%	\$43,695 33	
Examiners:		
Total blue notes.....	\$1,092,383 45	
Cash taken at time of note.....	533,356 23	
Estimated rate of commission, 3 per cent on \$1,625,739 68 =	48,772 19	
Examiners add to item.....	\$5,076 86	

Salaries, Rents, Bills and Accounts Due or Accrued:

The addition of \$35,896.38 is on account of home office payments made in 1917, the expenses for which were incurred in 1916 and not included in this line in the annual statement.

Claims for Death Losses in Process of Adjustment—Dividends Due and Unpaid:

The addition of \$1,525 to former and \$419.73 to latter is for death claims which occurred prior to and paid by the company in 1917, and which were not included in liability set up by company on December 31, 1916.

Claims Resisted:

The addition of \$2,505.42 is for amounts not set up by company, the detail of which is given in discussion of "Resisted Claims" elsewhere in this report.

During each of the four years ending December 31, 1916, the ratio to total admitted assets, and the rate of return for the average yearly amount invested in each of the following principal assets were:

	1913		1914		1915		1916	
	Ratio to total admitted assets	Ratio of return	Ratio to total admitted assets	Ratio of return	Ratio to total admitted assets	Ratio of return	Ratio to total admitted assets	Ratio of return
Real estate.....	1.228	2.980	1.242	4.380	1.479	3.980	1.298	3.120
Mortgage loans.....	20.437	4.983	19.908	5.005	19.384	5.066	8.982	5.107
Policy loans, liens or notes.....	18.450	4.911	19.391	4.935	19.696	4.886	18.607	4.925
Bonds and stocks.....	60.846	4.258	58.830	4.185	58.752	4.247	60.210	4.399

Subsidiary to the above, there is a cash book journal used to record the detail remittances made from each branch office, entries to which are made from a "transcript of remittances" of such items appearing on the cash books. Totals of remittances from all branch offices are carried daily to general account cash sheets. A subsidiary ledger, containing details of the controlling account "Branch Offices," in the general ledger is also kept.

An audit of the books for the period January 1st to December 31st, 1916, was made.

Dividends accruing on policies, instead of being drawn in cash, are often left with the company to accumulate at interest, or to be used as a premium to purchase additional insurance, and the dividends subsequently withdrawn in cash or the insurance surrendered for its cash value. When this happens, the payments are charged to "Dividends." This practice necessitates periodical analysis of the dividend account to separate such items from real payments of dividends and to meet statement requirements. The labor and time consumed in making this adjustment of accounts might be saved and the ledger show a more nearly correct condition if payments of dividends left with the company at interest were charged at once to such an account which should be credited with dividends so left, the balance being at any time the liability for the company for such deposits. Payments of surrender values of additional insurance should be charged to "Purchased Policies."

The statements of the Paris office carry an account called "Withdrawn Dividend Deposits" which is charged with payments on this account, apart from dividends or purchased reversions.

Home Office Transactions:

The entries appearing in the cash book journal are made from the general accounts cash sheets, which are daily transcripts of the entries appearing in the cash books kept in the cashier's department, arranged to facilitate the transfer by grouping items affecting the same account. There are two cash books in current use in the cashier's department, one for odd and one for even dates. The disbursement entries in these cash books are made from warrants drawn upon the treasurer by

the comptroller for all disbursements except those made on account of investments, policy contracts and home office salaries. Disbursements for investments are made by direct order of the treasurer; those for policy contracts by warrant on the treasurer, signed by those authorized in the loan and claim divisions; and those for home office salaries by warrant on the treasurer signed by a secretary. All disbursements are checked in the comptroller's department to see that no payment has been made for any purpose whatever except on proper warrant signed by those authorized to sign.

The disbursements on account of policy contracts are made to the individual payees through the policy payments division, the check for the amount of the warrant drawn on the treasurer, charged on the cash book to policy payments account and deposited in bank to the credit of a special account for this purpose and individual checks are issued by this division against it. The examination of the evidences of payment, or vouchers, for all payments made through this division is spoken of later in this report. The daily sheets as prepared in the loan division and the claim division for disbursements on account of policy contracts are the basis for a monthly journal entry, charging loans, death claims, endowments, surrendered policies, tontine dividends, etc., and crediting the proper accounts for any deductions therefrom, the balance being a credit to the account "Policy Payments," which account had been previously charged through the cash book for the amounts of the warrants for the month. The examiners checked the detail to and verified these journal entries for the period January 1 to June 30, 1916. The vouchers for disbursements on account of investments will be taken up in the discussion of the asset affected.

Payrolls for the months of January, March, June and December, 1916, were checked as to footings and comparison made with checks drawn in payment thereof. Printing department payrolls for the weeks ending June 5, 12, 19 and 24 and December 5, 12, 19 and 24, 1916, were checked as to footings and compared with total charges on checking division sheets. The names and amounts were checked to individual receipts.

The vouchers for miscellaneous expenses and taxes were checked to classification sheets of the checking division and these sheets checked to the cash books. Both vouchers and canceled checks were examined.

FOREIGN EXCHANGE

Your examiner is of the opinion that the company's manner of handling foreign exchange is of sufficient importance to be taken up by the office committee or a special committee appointed for the purpose, with the suggestion that the treatment of foreign transactions be harmonized.

In addition to an examination of the general books of the company, the books and records of the printing department, supply department and the restaurant were examined and transactions during 1916 checked.

Miscellaneous Comments:

A resolution is passed at the December meeting of the board of directors annually. The following is a copy of that passed December, 1915:

Resolved, Subject to the approval of the Board, that as part compensation for the year 1916 of salaried employees (soliciting agents excluded) of the company dying in the company's service during the year, exclusive of directors and officers, payment to be made upon the death of any such employee to such person or persons as the Office Committee may deem best entitled to receive same, as follows, in addition to the current month's salary:

If death occurs within the first year of service, a sum equal to one month's salary;

If death occurs within the second year of service, a sum equal to two months' salary;

If death occurs within the third year of service, a sum equal to three months' salary; and so on, and

If death occurs after the eleventh year of service, a sum equal to one year's salary.

Provided, however, that if the salary of the employee dying is more than \$2,400 per annum, the calculation of the sum payable shall be on the basis of an annual salary of only \$2,400.

And provided further, that if any such employee so dying shall, at the time of his death, be on the Reserve Force, or shall be on the temporarily disqualified list, it shall be left to the discretion of the Office Committee whether the part compensation so payable shall be based upon his full salary when regularly employed, or his reduced salary.

Payments under the above are charged to "Salaries." This does not seem proper. Some general ledger account such as "Employees' Welfare" is suggested; these payments and luncheons, cost of rest room and like items to be charged thereto.

Bookkeeping Treatment of Compromise Death Claims:

The following is an extract from minutes of the office committee held March 11, 1908:

(Sec. 3) Bookkeeping treatment of *Compromised Death Claims*:

Upon recommendation of Vice-President Weeks, it was voted that the bookkeeping practice in cases of compromised death claims be as follows:

If the amount paid is more than the sum of the entire premiums received, the payment is to be charged to the account of "Losses."

If the payment consists of only one premium, or less, the amount shall be charged to the Premium Account as a refunded premium.

If the payment consists of more than one premium, but not more than the total premiums received, and not more than five premiums, the amount paid shall be charged to the account of "Purchased Policies."

If the payment consists of more than five years' premiums the amount paid shall be charged to "Losses."

It would seem that compromised death claims are, nevertheless, death losses and should be so charged. If the company rescinds the contract and returns the premium, a charge to premium is correct, but when the company makes the best terms it can, which terms are not specifically based on premiums received, the five-year division in above rule should not be the determining factor as to what account should be charged.

Real Estate:

The book value of the real estate owned by the company amounted to \$11,257,500 on December 31, 1916. This is divided as follows:

Home office building	\$4, 000, 000
Kansas City building	1, 000, 000
Paris building	1, 300, 000
Berlin building	355, 000
Amsterdam building	150, 000
Budapest building	550, 000
	\$7, 355, 000

Property acquired by the company under foreclosure of mortgage loans:

In Kansas City	\$105,000 00	
In New York City	3,797,500 00	
		3,902,500
		\$11,257,500

The deeds, abstracts of title, title insurance policies, etc., and fire insurance policies were examined and found to be in order as to the property acquired since December 31, 1913. In cases where real estate not used as office buildings by the company has been owned more than five years, certificates of the Superintendent of Insurance, giving the necessary permission for such holding, were examined.

Schedule "A" of the company's annual statement to this department was verified as to items of income, rents received, disbursements on account of real estate, and the non-ledger assets "Rents due and accrued," and the liability item "Rents paid in advance."

MORTGAGE LOANS

On December 31, 1916, the company had outstanding \$164,579,647.67 on bonds and mortgages, first liens on city real estate and farms.

There were 1,077 "city loans" aggregating \$137,050,074.67, and 4,891 "farm loans," aggregating \$27,529,573.

The rates of interest on city loans range from 4 per cent to 7 per cent and on farm loans from 5 per cent to 7 per cent.

The following tables illustrate the number and amount of loans at the various rates of interest:

CITY LOANS

<i>Number</i>	<i>Rate Per cent</i>	<i>Amount</i>
3	4	\$535,000 00
15	4¼	10,468,972 88
22	4¾	5,857,000 00
692	5	98,649,963 97
10	5¼	1,001,000 00
160½	5½	13,895,835 05
4	5¾	258,000 00

<i>Number</i>	<i>Rate</i>		<i>Amount</i>
	<i>Per</i>	<i>cent</i>	
161½	6		6,200,552 77
7	6½		91,750 00
2	7		92,000 00
1,077			\$137,050,074 67

FARM LOANS

Number	Rate		Amount
	Per	cent	
1,391	5 .....	.....	\$8,748,150 00
625	5¼ .....	.....	3,389,396 17
2,314	5½ .....	.....	12,384,218 11
94	5¾ .....	.....	542,666 80
514	6 .....	.....	2,397,943 90
3	6¼ .....	.....	19,929 80
12	6½ .....	.....	38,368 22
1	7 .....	.....	9,000 00
4,981			\$27,529,573 00

Since 1913, the company has made comparatively few loans on New York city real estate. Most of its city loans were made on business and apartment house properties located in the active business sections of various cities throughout the United States. Its main activity, however, has been in farm loans. This is evidenced in the increase in number and amount, viz.: from 145 farm mortgages at the close of 1913 to 4,981 outstanding December 31, 1916, and in amount from \$909,449.01 to \$27,529,573.

Toward the close of 1916, the company added an additional department to take care of mortgages which are termed residential loans and contemplates making small loans on residence or dwelling houses throughout the United States. Up to the close of 1916 only a small number of such loans had been made.

Farm loans are purchased from banking houses, trust companies and mortgage companies, usually located in cities near the properties mortgaged. Upon request of a mortgage seller to do business with the company, the manager in charge of this company's Chicago office for the care of the farm business makes an investigation as to the applicant's financial and business standing. Upon approval by him, farm loans are submitted in the shape of a

detailed description of the property, upon the company's form of application. This usually is a resume of the original application of the borrower to the mortgage company, together with any additional data available through its inspections. From this data and the manager's knowledge of the various localities and farm conditions if the manager approves the loan, the application with approval is sent to the home office with a blanket agreement signed by each vendor.

Farm loans are not made for more than 50 per cent of the value of the land, irrespective of any building thereon. The company therefore requires no fire insurance.

Farm loans are purchased at par or at a discount to yield more than the face interest rate. They are also purchased at par, with a separate agreement between the company and the vendor to net the company $\frac{1}{2}$ per cent or $\frac{1}{4}$ per cent more, or $\frac{1}{2}$ per cent or $\frac{1}{4}$ per cent less than the face rate.

Seven mortgage loans have been paid off during the course of the examination and the payments checked to cash book. The Chicago office had not yet sent to home office 189 assignments and three mortgages. An examiner of the department examined the assignments and mortgages at Chicago and found 113 assignments on hand, none of which were recorded; 67 were in the hands of correspondents for recording, evidenced either by a letter from the correspondent acknowledging receipt, or merely a letter forwarding the assignment. The three mortgages were found to be on hand at the Chicago office and were checked. There were nine assignments which the examiners were unable to check, as the company could not produce the same.

Check on Mortgage Loans:

The check of the asset of mortgage loans involved the examination of all papers evidencing the loan, such as the note or bond and mortgage, assignments, participation and subordination agreements, title policies, mortgage guaranty policies, etc., and comparison thereof with Schedule "B" and the company's mortgage cards. Also an examination of all fire insurance policies and determination of the amount in force, payable to the company as

mortgagee as of December 31, 1916. All items of interest received were calculated and checked with the mortgage cards and with Schedule "B"; also other payments made to or by the company on account of principal, etc. Accrued interest as of December 31, 1916, was also calculated and checked to Schedule "B." The main columns of Schedule "B" were added and the totals compared with the financial books of the company. All payments made in 1916 and 1917 on account of principal and interest on loans paid off, where the papers were not in evidence were checked to the cash book of the real estate department. These cash books were then checked into the daily balance summation book and from there to the main books.

All city loans made in 1914, 1915 and 1916 were checked to the minutes of the finance committee to verify authorizations. Likewise, with all extensions and changes in rates of interest, etc.

In the case of farm loans, this check was found impracticable, as such loans are authorized by schedules containing a number of items. These schedules are brief as to data and the finance committee minutes contain no means of identification to permit of a check with Schedule "B." No date or memorandum of the authorization appears with the mortgage papers.

If the descriptive application upon which the authorization is based were marked with the date of authorization and retained with the mortgage papers, a ready check could be made to the committee minutes. However, a farm loan, before payment is made, is checked in some four or five different departments and this includes a reference to the committee authorization.

The check of farm loans purchased at a discount, etc., also involved the calculations of the present values as of December 31, 1916, and the amount of decrease or increase in book value. Also a calculation of the amount paid on date of purchase.

The papers for city and farm loans were found in order and fully evidenced the ownership by the New York Life and that the mortgages are first liens on improved real estate. All papers were on hand at the home office, except the assignments and three mortgages on farm loans above noted.

Past Due Interest:

The total of interest past due on December 31, 1916, is correct at \$396,334.20. However, \$451 shown opposite farm loan No. 1693 should have been omitted and \$220 should appear with farm loan No. 4228. The above total, while being correct with the actual items past due on the company's books, is \$231 more than the total of items in Schedule "B." This, however, is made up by the two adjustments above.

Accrued Interest:

The company's total of interest accrued on mortgage loans in Schedule "B" is \$2,197,036.55.

The examiners' total of the items in Schedule

"B" is	\$2, 195, 792 74	
Or a decrease of		\$1, 243 81
17 errors in farm loan accrued interest result in a net increase of.....	\$61 04	
15 errors in city loan accrued interest result in a net increase of.....	62 93	
Total increase		123 97
Or a net decrease of.....		\$1, 119 84

Unearned Interest Paid in Advance:

In liability item No. 74, the company includes \$3,081.89 as interest unearned but paid on mortgage loans. This is understated by four items omitted, namely, three on farm loans, \$41.72; one on city loans, \$2.63; making a total of \$44.35.

The company has in its possession fire insurance policies, payable to the New York Life as mortgagee, to the amount stated in Schedule "B" on each mortgage and such amounts are ample to protect the company's interest therein.

All loans outstanding December 31, 1916, were compared with the value of land and buildings stated by the company and found to be within the limits set by the Insurance Law, subject to appraisal by this Department.

Mortgages on property in Canada amounting to \$4,677,000 and bonds in Canada amounting to \$248,308 are deposited with

the Royal Trust Company of Canada as trustee. The mortgages were checked as owned by the New York Life from an official list or receipt from said trust company.

One million dollars—4½ per cent St. Louis Terminal, Cupples Station—company reports in Schedule "B." This mortgage is represented by bonds of the par value of \$1,000,000 and such bonds are kept with and were counted when examining bonds.

Policy Loans:

On December 31, 1916, the company reported \$156,431,663.33 as loans made to policyholders. On account of the large amount of such loans, a complete examination and verification was impossible.

The work done in connection with policy loans consisted of a complete check of all loans made by the company, exclusive of those made in Europe, for the following months: March, 1914, about 8,457 cases; August, 1915, about 8,075 cases; November, 1916, about 6,130 cases; making a total of 22,662 items beginning with the original authorization and following through the transactions concerning such loans up to and including December 31, 1916, thereby accounting for each loan made during the above-mentioned months either by loan agreements covering loans outstanding and in full force, or evidences of foreclosure, surrender, matured endowments, extension by new loans or cash payments.

During this examination, a number of clerical errors were disclosed which were brought to the attention of the loan securities department and will be corrected.

Premium Notes:

This item is made up of premium liens, \$3,799,213.33; Blue notes, \$1,092,383.45; total \$4,891,596.78.

The premium lien notes were checked by taking all notes in possession of the company on January 3, 1917, and checking same into the company's schedule books, and then footing the schedule books. The difference between the company's total and the total as found by the examiners in listing the notes still in force was so great that a careful check was made of the books and all outstanding items indicated, after which new tapes were made and

compared with original tapes made by the examiners and the differences adjusted. This second check showed the company's figure to be \$2,086.45 in excess of the examiners' total. The tapes were then given to the company and the errors run down, with the result that the difference unaccounted for was \$84.63. No change in statement figures was made on this account.

The statement of blue notes on hand December 31, 1916, was carefully checked with statements furnished by branch office cashiers forwarded to the home office after December 25th, and after making allowance for all notes paid at the home office included in the list, the branch office having no knowledge of these payments, same was found to agree.

Stocks and Bonds:

The par value of the stocks and bonds owned by the company on December 31, 1916, amounted to \$539,507,930.90. This amount was verified by count of those on hand in the company's vault, and an examination of the receipts for those on deposit with insurance departments and foreign governments.

Minutes of the finance committee were examined and the authorization for purchases and sales made during the three years ending December 31, 1916, verified. Under "Assets not admitted" in the financial statement the excess of book value over market value of bonds not subject to amortization, and of stocks, has been deducted.

Cash:

The cash in company's home office was verified by actual count on January 2, 1917, of the balance as at close of business on December 31, 1916. The amount on deposit in banks and trust companies in the United States wherein the home office makes deposits was verified by certificates from such depositories. Of the banks where the branch offices deposit funds for the home office account and also for their own working account, fifteen banks were selected, certificates obtained and amounts reconciled with home office accounts. With the exception of banks in Cuba, South America and Canada, no certificates were obtained from foreign depositories.

Branch Office Balances:

The examiners have added \$3,350 to the amount stated by the company in this line, on account of an error in posting to the credit of this account instead of to the credit of "Policy loans."

Interest Due and Accrued on Mortgages:

A detailed check of the items entering into this asset was made, with the result that the examiners find it overstated by \$1,119.84; corrected amount should be \$2,592,250.91, as stated in discussion of "mortgage loans."

Interest Due and Accrued on Bonds:

The amount due and accrued on each holding of the company was checked and totals stated by company found to be correct.

Interest Due and Accrued on Premium Notes, Policy Loans or Liens:

The amount stated by the company in this line, namely, \$845,106.19 was computed by the company by taking six months' interest on the loans outstanding at the end of the year. The examiners checked this figure by applying 2½ per cent to the 5 per cent, and 3 per cent to the 6 per cent, loans outstanding "not in advance," with approximately the same result as the company.

Interest Due and Accrued on Bank Balances:

No detailed check of this item was made by the examiners.

Rents Due and Accrued on Company's Property:

In examining the asset "Real Estate," a check of the rent books was made and the amount of rent due and accrued found to be as stated by company.

Gross Premiums Due and Unreported:

As a result of a check of this item, the examiners have made the following changes in amount reported by the company:

Company reports		\$8, 702, 395 44
Examiners add for errors first year's premiums	\$121 87	
Examiners add for errors in renewal premiums	8, 255 70	
		8, 377 57
		\$8, 710, 773 01
Examiners deduct for errors in first year's premiums ..	\$42 00	
Examiners deduct for errors in renewal premiums ..	4, 977 66	
		5, 019 56
		\$8, 705, 753 45
Examiners also deduct		533, 356 23
		\$8, 172, 397 22

The amount of \$533,356.23 represents cash paid on account of premiums; as the entire premium has not been paid, the branch offices report the total amount of premiums as due and uncollected and the company so included in its statement this amount. To offset this double inclusion of the same amount, it has set up in the liability item "Premiums paid in advance" \$533,356.23, which amount is included in \$940,711.83 and the examiners have deducted the same amount therefrom.

Deferred Premiums

The company in its annual statement as at December 31, 1916, reported deferred premiums as follows:

First year deferred — 5 per cent of gross first year premiums.

Renewal deferred — 6½ per cent of gross renewal premiums.

Liabilities

Reserve:

During the three years ended December 31, 1916, there were issued and paid for 340,360 policies, representing \$910,969,911 of insurance. During this same period there were terminated or changed 312,689 policies, representing \$705,648,817 of insurance. The reserve is kept and reported to this department on the group valuation basis. In checking the reserve, the examiners took the brief cards as the basis. As a check of the accuracy of the brief

cards, the applications for the issues of May, 1914, were checked to these cards. The brief cards were checked with the actuary's valuation cards and the valuation cards with the valuation registers.

For the issues of 1915 and 1916, the company installed a perforated card system to take the place of the actuary's valuation cards and registers. Two sets of perforated valuation cards are prepared at the same time; one set is filed in numerical order and the other set in group valuation order. The examiners compared the brief cards for the issues of November 1915, and August 1916, with the actuary's numerical cards and checked these cards with the cards which are filed in numerical order. No errors were noted which will affect the reserve and the actuary's valuation cards are assumed to be correct.

The valuation cards were totaled for the 1916 issues paid for in 1916 and in force at the end of 1916 by ages on the ordinary life, 20 payment life and 20 year endowment plans, which represent 74,305 policies. The total insurance in force for these plans showed \$27,500 less than the valuation sheets. These errors decreased the reserve as of December 31, 1916, by approximately \$734 and were corrected by the company during 1917.

Terminations and Changes:

A form was drafted with suitable headings to show the company's net changes in number of policies and amount of insurance during 1916 for all years of issue from 1846 to 1915, inclusive. The difference between the amounts in force December 31, 1915, and December 31, 1916, according to age and plan as taken from the 1915 and 1916 copies of the New York valuation sheets, were listed on the form above referred to. The actuary's cards for the years of issues terminated or changed during 1916 were sorted by machinery, according to the year of issue, plan and age. The cards were totaled and the result checked with the net amounts terminated as shown on the sheets. All discrepancies have been checked up by the company, with the result that the reserve should be increased by \$5,915.

In order to further test the accuracy of the policy valuation classification, some 250 policy numbers were selected at random

from the detail supporting the classification sheets and their premium record as shown in the comptroller's division examined. In every instance, the policies were found to have been in force on December 31, 1916.

Conversely, some 555 policy numbers were selected at random over a large field from the policies which the comptroller's premium records showed to have been in force December 31, 1916, and an item representing each policy was found in its correct classification in the actuary's detail supporting the classification sheets; therefore, as far as this comparatively small test check could indicate, there is every reason to believe that all policies in force are correctly represented in the premium reserve liability.

Adjustable Accumulation Increment:

The unaccrued increment factors for "AA" policies that were used when method was changed in 1915 were verified. These factors represent the number of yearly increases, and are deducted from the face amount of policy, for amount of insurance in force. The 1916 increase and decrease on the adjustable accumulation policies for issues of 1896 to 1906, inclusive, were checked from the increase and decrease sheets to the summation of unaccrued increment in force as of December 31, 1916, and test checks made of the entries on the increase and decrease sheets.

Premium Return Policies:

The company issued during the period from 1894 to 1906, inclusive, policies which contained a premium return feature and provided for a return of one-quarter, one-half or all of the tabular annual premium paid, if death occurred within a specified period. Several years ago the company ascertained the amount of insurance in force on participating premium return policies by footing this column in the valuation registers, then accumulating the interest in force by the amount returnable on the tabular annual basis. These totals were posted on separate sheets known as "Premium return volumes." Thereafter, the increases and decreases for each year were tabulated and adjusted at the end of the year. The adjusted figures were then used as a basis for

the valuation. Since this examination was started, the company has footed the amount of insurance for all premium return policies in force on December 31, 1916. The results, when compared with the amounts reported by the company on December 31, 1916, showed the total amount of insurance to have been overstated by \$18,636 and the reserve overstated by \$7,023.

Annuities:

As a check of the accuracy of the annuity reserve reported by the company, the largest class, namely, Life Immediate — Single Life, was selected as a test. This class comprises over 80 per cent of the total number of annuity bonds of the company and over 60 per cent of the annual amount payable and the reserve thereon. Comparison was first made between the application and the corresponding entry in the annuity register to determine the accuracy of the register. Cards were then prepared for all life immediate annuity bonds in force December 31, 1916, which had been issued during the years 1914, 1915 and 1916. These cards were then classified and compared with cards in the company's cabinets and found under their proper classification.

Supplementary Contracts Not Involving Life Contingencies:

The company reported the liability for this item in line 9 of the annual statement of December 31, 1916, as follows:

Trust fund	\$1,711,762 93
Installment fund	1,668,720 61
Endowment fund (endowments with contingent annuities)...	172,048 56
Registered bond fund	52,325 98
5% Gold bond fund.....	288,593 00
3% Deposit fund.....	989,368 83
Extra interest on continuous installment policies.....	10,380 21
	\$4,893,200 12
Less reinsurance	7,299 77
	\$4,885,900 35

The liability for these items is kept on cards of various colors according to the funds involved.

All items of credits to these funds appearing on the death claim sheets were checked to the cards at the time paid claims were examined for the year 1916. Lists of endowments and tontine dividend items credited to these funds were also checked to these cards, thus proving that all income items of 1916 to these funds were entered on cards showing the liability.

The company deducts \$7,299.77 for policies reinsured in the following companies: British Empire Blair, Commercial Union, Skandia Standard, Norwich Union, Rock, Scottish Union, Sun-England, Law, London and Lancashire.

As these companies have not been admitted to do business in this State, the amount of deduction has not been allowed and the liability has been increased \$7,299.77.

DIVIDENDS

Annual:

There are four distinct groups of annual dividend policies:

- (1). A. D. — Annual dividend policies issued prior to January 1, 1907.
- (2). C. A. D. — Contribution annual dividend policies issued since January 1, 1907.
- (3). A. D. R. T. — Renewable term policies issued prior to January 1, 1907, on which the deferred dividend period has expired, and on which an annual dividend is allowed in reduction of each premium during the following renewable term period.
- (4). 7 Y. E. — Seven year equalization annual dividend policies.

There are also two groups where accumulated dividends are used annually in reduction of future premiums, namely:

- (1a). 5 year dividend annual reduction.
- (2a). Tontine annuity annual reduction.

(1a). 5 year A. D. R. This class consists of those cases in which the five year dividend is converted into an annual reduction of premiums during the succeeding period.

(2a). This class of cases embraces those policies where the tontine dividend is converted into an annual reduction of future premiums.

Dividends on Death Claims:

On all annual dividend policies payable through death, the company will pay, in addition to the amount of insurance, the

equivalent value in cash of the dividend that would have been paid had the policy remained in force until its next anniversary.

Prior to July 1913, it was the practice of the company to allow a proportional part of the dividend as the premiums were paid on policies issued prior to January 1, 1907. That practice is discontinued. The full dividend may now be used when the anniversary payment is made, whether the premiums are payable annually, semi-annually or quarterly.

Should the dividend exceed the amount due on a policy, the difference may be paid to the order of the owner of the policy when the signed dividend receipt is received.

Dividends on Paid-up Policies:

Under paid-up policies charged with lien notes or loans, the dividend will be allowed in cash or in the reduction of interest and statutory notice will call for the full amount of interest. Dividends on paid-up policies without indebtedness are paid by check from home office.

Matured Policies—Selection of Benefits:

Before maturity of a policy on the accumulation or tontine plan, a statement of results showing the amount of the several benefits, from which a choice is to be made, is forwarded to the policyholder through the branch office cashier.

Company's Method by Which Annual Dividends Paid in 1916 Were Calculated

Percentage Annual Dividend Policies:

The company's general rule of apportionment of annual dividends to policies written prior to January 1, 1907, is the following:

(A) Premium paying policies issued before the year 1899 share in the following proportions:

a. *Other than limited payment life:* If two years in force, in the proportion of $15\frac{5}{8}$ times the annual premium; if three years in force, in the proportion of $16\frac{6}{8}$ times the annual premium, etc., the proportion increasing $\frac{1}{8}$ each year.

b. Limited payment life policies share within their premium

paying period on the basis of proportions of the ordinary life premium being the same as under "a."

(B) Premium paying policies issued in the year 1899 and thereafter share in the following proportions:

a. *Other than limited payment life*: If one year in force, in the proportion of the annual premium; if two years in force, in the proportion of $1\frac{1}{6}$ times the annual premium, etc., the proportion increasing $\frac{1}{6}$ each year.

b. Limited payment life policies share within their premium paying period on the basis of the proportions of the ordinary life premiums, the proportion of the ordinary life premium being the same as under "a."

(C) Paid up policies, i. e., limited payment policies which had become paid up in full, received a dividend in 1916 equal to 1 per cent of the American 3 per cent mean reserve as at December 31, 1915.

For the dividends payable at the anniversary of premium paying policies in 1916, the percentage applied to the above specified functions of the premium was $7\frac{3}{4}$.

For example: An annual dividend ordinary life policy of \$1,000 issued in 1906, at age 25, with an annual premium payable of \$21.49, and being in force ten years, received a dividend of \$4.16, being $7\frac{3}{4}$ of $2\frac{1}{2}$ times the premium, i. e., $19\frac{3}{8}$ per cent of the premium.

Progressive Participation Policies (Issued 1905-1906):

Policies on standard risks share during the premium paying period as follows: Policies in the annual dividend section share, when three full years in force, in the proportion of the annual premium; when four full years in force, in the proportion of $1\frac{1}{9}$ of the annual premium, etc., the proportion increasing $\frac{1}{9}$ of the annual premium each year.

Policies in the pure endowment dividend section share, during the pure endowment dividend period of 10, 15 or 20 years, in the same way as the policies in the annual dividend section, except that the scale according to which the dividend (which in the pure endowment dividend section is applied to purchase pure endowment) is calculated does not increase by $\frac{1}{9}$ of the annual

premium but by $1/8$, $1/7$ or $1/6$, according as the term of the pure endowment dividend period is 10, 15 or 20 years.

Policies on the substandard risks were issued in the pure endowment dividend section only and share during the pure endowment dividend period in the same way as corresponding policies on standard risks, except that the first dividend in the substandard class is declared at the end of the fifth year of insurance.

In the case of dividends declared at the anniversary of the premium paying policies in 1916, the percentage applied to the above specified functions of the premium was eight for standard policies on standard risks and four for policies on substandard risks.

Contribution Annual Dividend Policies:

The company's rule of apportionment of annual dividends to contribution annual dividend policies written subsequent to December 31, 1906, is in accordance with the principles and methods described in a paper by Rufus W. Weeks, entitled "A Practical Rule for Calculating Annual Dividends," and published in the transactions of the Actuarial Society of America.

On policies completing their first insurance year in 1916, no dividend was earned or apportioned by the company as payable in 1916.

On each policy completing its second or subsequent insurance year in 1916, the following general formula, which applies to second and subsequent insurance years only, was adopted for a year's standard contribution, or for what may be termed a year's "Normal renewal surplus." The rule may be stated as follows:

The standard contribution to apportionable surplus of any policy during its second or any subsequent year is the sum of two items, the first item being the year's saving from loading, and the second item being the year's profit from interest.

The year's saving from loading is determined as follows:

From the date of the company's transactions during the preceding calendar year we ascertain the renewal expense ratio upon the ordinary life element upon the assumption that the ratio upon the higher premium element is one-half as great.

Using these ratios, we then find the required charge for renewal expense against the premium of the policy in question. We subtract this charge from the loading contained in the premium and improve the remainder for one year at the company's actual net rate of interest experienced during the preceding calendar year. The resulting amount constitutes the first item of the standard contribution to apportionable surplus. The year's profit from interest is determined as follows:

From the data of the company's transactions during the previous calendar year, we ascertain the net mean rate of interest earned by the company. From this rate we subtract the rate of interest assumed in the calculation of policy reserves; the remainder is the rate of interest profit of the year, and by multiplying the mean reserve upon the policy in question for the current insurance year by this rate of profit from interest, we determine the second item of the standard contribution to apportionable surplus.

According to the company's experience in the calendar year 1915 the rate of renewable expense chargeable against the ordinary life element in the premium was 10.61 per cent and the rate of interest applicable outside of French territory was 4.2 per cent.

The dividend declared and paid in 1916 was 100 per cent of the normal renewal surplus of 1916.

The company's experience with contribution annual dividend policies has developed certain minor sources of surplus in addition to the two main sources included in the regular dividends. These minor sources of surplus include economy in acquisition expenses combined with surplus arising from discontinuances and from favorable mortality.

Extra dividends payable in 1916 were accordingly declared as follows:

(a) Ten per cent of the premium at the domestic annual rate on contribution annual dividend policies dated 1911, on which five years' premiums have been paid.

(b) Ten dollars per \$1,000 of insurance on contribution annual dividend policies dated 1906 remaining in force at the end of the tenth policy year, provided that in any country engaged in war, death losses due to war be charged against such extra dividends applicable to policyholders in that country.

Seven-Year Equalization Policies With Yearly Distribution:

The company's rule of apportionment of annual dividends declared and paid in 1916 was, if the policy had been issued in the "general" class of such policies, 85 per cent of the normal renewal surplus, calculated in the manner described above for contribution annual dividend policies, on the basis of an interest rate of 4.2 per cent and an expense rate of 10.61 per cent; or, if the policy had been issued in the select class, the corresponding annual dividend of the general class increased by 15 per cent of the net cost of insurance upon the company's compound progressive table of mortality, was declared and paid.

Five-Year Dividend Policies:

The rate of five-year dividends paid in 1916 under each policy was equal to the yearly amounts which would have been paid each year (according to the scale used in calculating annual dividends actually declared to percentage annual dividend policies) accumulated with compound interest at 4 per cent, to the end of the five-year period in 1916, with benefit of survivorship according to the company's compound progressive table of mortality, which accumulated year amounts for the second five-year period being increased $21\frac{1}{2}$ per cent on account of profits accruing from discontinuance within that period.

Ten, fifteen and twenty-year deferred dividends paid in 1916 were based upon tables of "Standard Cash Values" otherwise termed "Standard Final Asset Shares." The tables of standard cash values were constructed according to the method more fully described in a pamphlet published in 1905 and entitled, "True Accounting with Deferred Dividends" by Rufus W. Weeks.

Table V of that pamphlet contains "a model account" or supposed history of an assumed valuation group consisting of 10,000 policies of \$1,000 each, issued on the ten-year period, on the twenty-payment plan, and at the age of forty, each bearing the annual premium of \$42.79; and Table VIII of the pamphlet shows for each age at issue and for ordinary life, twenty-payment life and twenty-year endowment, respectively, "the standard final asset shares of ten-year deferred dividend policies of \$1,000 each," constructed from the model accounts or supposed histories for

typical ages and plans by interpolation and graduation. The rule used in calculating the dividend of 1916 on these (1916 twenty-year standard cash values) policies was to deduct from 97 per cent of such standard cash values an amount equal to the reserve or cash value guaranteed in the policy, or, if the reserve which was required to be held on the respective contracts under the New York State law was higher than the amount guaranteed in the policy, then the reserve so held under the New York State law was deducted. The reserve so deducted under the rule was on the ordinary life plan at American 3 per cent, and on the other plans at actuaries' 4 per cent.

The amounts shown in Schedule "O" as having been provisionally ascertained and so held awaiting apportionment upon deferred dividend policies, were calculated by the following method:

First: The yearly amounts of the annual dividends which each policy would have received from date of issue to the anniversary in 1917, inclusive, if it had been originally issued as annual dividend, were ascertained.

Second: The sum of such yearly amounts was increased by (a) compound interest at the rate of 4 per cent per annum; and (b) benefit of survivorships, according to the company's compound progressive table of mortality, which table represents the company's normal mortality experience.

Net Effective Rates of Interest as Computed by the Company:

	1914	1915	1916
(A). Derived from company's entire funds	4.169%	4.186%	4.186%
(B). Derived from funds exclusive of French investments	4.2	4.2	4.2
(C). Derived from deposit with French Government as per resolution Dec. 9, 1908, Board of Trustees.....	3.5	3.5	3.5

(A) The net effective rate of interest is equal to the net income from rents and profits on investments divided by the mean amount of funds, for the current and preceding calendar years, represented by liabilities normally drawing interest. This rate of interest is applicable to gain and loss accounts of insurances, where such insurances are of the same mode of participation in profits

as were issued both in and out of the territory subject to the French law of March 17, 1905.

(B) This rate is derived from the company's funds exclusive of French investments and is applicable to gain and loss accounts of insurance where such insurances were issued exclusively outside of the territory subject to the French law of 1905, and to each and every individual policy issued outside of the French territory.

(C) This rate is derived from deposit with the French government, as per resolution of the board of trustees on December 9, 1908, and is applicable to all insurances issued within the territory subject to the French law of March 17, 1905.

The amounts taken for the interest rate calculation represent the status June 30th of the company's deposit with the French government.

In computing the net effective rate of interest for 1916, the company made an adjustment for losses on investments or decrease in book value of bonds to market value by an adjustment charge of \$1,060,000, "in anticipation of a further decrease by similar adjustment in value during the year 1917 or later."

(A) ASSESSMENT OF EXPENSES

	1914	1915	1916
	Per cent	Per cent	Per cent
Expense ratio on first year's premiums exclusively..	52.41	52.93	52.36
Expense ratio on renewal premiums exclusively....	2.32	2.37	2.37
Expense ratio on entire annual premiums.....	7.07	6.90	6.85
Entire ratio on first year's premiums.....	59.48	59.83	59.21

(B) SPECIAL CALCULATION FOR CONTRIBUTION AMERICAN DIVIDEND RATES —
ADJUSTED PREMIUMS

	1914	1915	1916
	Per cent	Per cent	Per cent
Expense ratio first year on first year's premiums...	58.67	59.25	58.35
Expense ratio first year on renewal premiums.....	2.68	2.72	2.71
Expense ratio, general expenses on first year's pre- miums.....	8.11	7.89	7.82
Expense ratio on renewal premiums.....	8.11	7.89	7.82
Entire expense ratio chargeable to adjusted first year on first year's premiums.....	66.78	67.14	66.17
Entire expense ratio chargeable to adjusted renewal premiums on renewal premiums.....	10.79	10.61	10.53

CONTRIBUTION ANNUAL DIVIDEND PAID IN 1916: CALCULATION FOR ORDINARY
LIFE — AGE 25 — ISSUED 1907

			Per cent
Expense factor for adjusted premium.....			10.61
Interest factor applied.....			4.2
Gross annual premium.....	\$21 49	Gross premiums.....	\$21 49
Net annual premium.....	16 11	Ordinary life element.....	21 49
Loading.....	<u>\$5 38</u>		2)\$42 98
		Adjusted premium.....	<u>\$21 49</u>
Adjusted premium \$21.49 x 10.61 per cent = \$2.28.			
Loading: \$5.38 — \$2.28 = \$3.10 x 1.042 per cent.....			\$3 23
Mean reserve: \$90.25 x 1.2 per cent.....			1 08
Renewal surplus.....			\$4 31
Dividend paid in 1916.....			<u>\$4 31</u>

CALCULATION FOR 20-PAYMENT LIFE — ISSUED 1907 — AGE 25

Gross annual premium.....	\$31 83	Gross annual premiums, 20-	
Net annual premium.....	24 98	payment life.....	\$31 83
		Gross annual premiums, ordi-	
	<u>\$6 85</u>	nary life.....	21 49
			2)\$53 32
Adjusted premium.....			<u>\$26 66</u>
Adjusted premium \$26.66 x 10.61 per cent = \$2.828.			
Loading: \$6.85 — \$2.83 = \$4.02 x 1.042 per cent.....			\$4 19
Mean reserve (3 per cent) \$185.43 x 1.2 per cent =.....			2.23
Normal renewal surplus.....			\$6 42
Dividend paid in 1916.....			<u>\$6 42</u>

CALCULATION FOR 20-YEAR ENDOWMENT — ISSUED 1907 — AGE 25

Gross annual premium.....	\$50 53	Gross annual premium, 20-	
Net annual premium.....	41 01	year endowment.....	\$50 53
		Gross annual premium, ordi-	
Loading.....	<u>\$9 52</u>	nary life.....	21 49
			2)\$72 02
Adjusted premium.....			<u>\$36 01</u>

Adjusted premium $\$36.01 \times 10.61$ per cent = $\$3.82$.	
Loading: $\$9.52 - \$3.82 = \$5.70 \times 1.042$ per cent =	\$5 94
Mean reserve (3 per cent) $\$357.45 \times 1.2$ per cent =	4 23
Normal renewal surplus	\$10 23
Dividend paid in 1916	\$10 23

CALCULATION FOR FIVE-YEAR TERM

Gross annual premium	\$11 97	Gross annual premium, 5-year	
Net annual premium	7 96	term	\$11 97
		Gross annual premium, ordinary life	21 49
	\$4 01		
			2)\$33 46
Adjusted premium			\$16 73
Adjusted premium: $\$16.73 \times 10.61$ per cent = $\$1.78$.			
Loading: $\$4.01 - \$1.78 = \$2.23 \times 1.042$ per cent =			\$2 32
Mean reserve $\$4.06 \times 1.2$ per cent =			05
Normal renewal surplus			\$2 37
Dividend paid in 1916			\$2 37

Extra Dividend of \$10 per \$1,000 on C. A. D. Policies Issued in 1907 and Payable in 1917:

On April 19, 1915, the company by letter advised the Superintendent of Insurance at Albany, N. Y., of a proposed change in plan, and requested to be advised if the payment of an extra dividend met with his approval. In a letter dated April 21, 1915, replying to the company's letter, the Superintendent of Insurance states: "The method of payment sent forth in your letter in my opinion does not violate any of the provisions of the insurance law of this state and has my approval." This extra dividend is practically derived from mortality savings.

The majority of the annual dividend policies are of the contribution annual dividend class, issued in 1907 and subsequent years. The dividend rate per \$1,000 of insurance paid during the last three years on 1907 to 1914 issues of the above class, on the ordinary life, twenty-payment life and twenty-year endowment plans, has been verified by checking the company's calcula-

tion for several ages and comparing results with the printed schedules. A test check was then made to dividend receipts, and in the comparatively few cases checked, it was found that the policyholder received the rate he should for the age and plan of insurance to which his policy entitled him.

Deferred Dividends:

The company prepares each year what are known as "Resolution Schedules," which are reports of the disposition of profits of the year in dividends to policyholders. These schedules contain the number, amount of insurance, dividend rate and dividend payable in the succeeding year on policies in force as at the end of the current year. There are three such schedules prepared, A, B and C. C for 1916 contains the data of deferred dividend policies maturing in 1917. The examiners verified the footings in this schedule as to amounts of insurance and dividends payable for the ordinary life, twenty-payment life and twenty-year endowment plans. The amount of insurance for each of these plans was then checked to company's final valuation books (reserve) and also to the New York State valuation sheets and found to agree. Test checks were made to prove that the multiplication of the amount of insurance by the rate was correctly set forth as the amount payable in 1917.

Schedule B contains details of five-year dividend period policies, with dividends payable in 1917. The sum of the totals of this schedule and Schedule C is the liability of the company for deferred dividends payable in 1917, as reported in line 36 of the annual statement.

Schedule A contains the dividends payable in 1917 on annual dividend policies by years of issue and plans of insurance and a recapitulation of summaries for the four distinct kinds of annual dividend policies is the liability reported by the company in line 35 of the annual statement.

TREATMENT OF POLICYHOLDERS

Paid Death Claims:

Files were examined for all death claims paid during March, April and May, 1914; July, August and September, 1915; and

for the entire year 1916. All warrants for death claims for the periods mentioned were examined and additions to and deductions from the face amount carefully checked.

Interest on Policy Loans:

Several errors were found in both deductions of the policy loan interest and refunding of interest paid in advance in settlement of claims. In those cases where the company refunded an amount of interest less than that due on the claim or deducted an amount of interest greater than should have been deducted, and same amounted in any case to five dollars or more, the company stated that the errors would be adjusted by payments to the beneficiaries. Many of these errors were due to taking a wrong date as the date of death in computing the interest to be returned or deducted.

Post Mortem Dividends:

The amount of post mortem dividends payable in each death claim case, as noted on brief card, was compared with amount stated on warrant.

It has been the practice of the company not to allow a post mortem dividend on claims arising under seven year equalization policies, unless the premiums for the calendar year were paid. This practice, however, was changed in January, 1914, and the dividend allowed if premiums for the calendar year were not paid.

Premium Deductions:

The following is the practice of the company in deducting premiums necessary to complete the policy year from death claims paid:

(1). When one quarterly premium has been paid:

a. Within two months after the anniversary date, take the annual premium, less the quarterly premium paid, and charge interest from the anniversary to the date when paid.

b. After the expiration of two months, take two semi-annual premiums, less the quarterly premium paid, but do not charge any interest.

(2). When two quarterly premiums have been paid: Charge the full semi-annual rate at the next premium due date.

(3). When three quarterly premiums have been paid: Charge the remaining quarterly premium.

(4). When one semi-annual premium has been paid:

a. Within three months after the anniversary date, take the annual premium, less the semi-annual premium paid, and charge interest from the anniversary to the date when paid.

b. After expiration of three months, charge the full remaining semi-annual premium.

On issues of 1904, 1905 and 1906, no deductions of premiums are made to complete the policy year. This is due to the wording of the contract issued in these years, which does not specifically call for such deductions. As a consequence, those policies which are on an annual premium basis when terminated by death, having paid a full year's premiums, no refund is made by the company; although policies on a quarterly or semi-annual basis having only paid for fractional parts of the year, no deductions are made. This, of course, makes the annual premium policies pay more in the year of termination than the others mentioned.

Adjustments of Amount of Insurance on Account of Incorrect Age:

These adjustments are made as a rule only in cases where age has clearly been mis-stated or where there is an apparent discrepancy. While these adjustments are made as a whole fairly and equitably, there would appear to be some inconsistency in treatment in a few cases.

Disability — Waiver of Premium:

The company started writing policies containing a clause waiving premiums in case of total and permanent disability in 1910. At the present time the company issues policies containing this clause, which provides that:

If assured becomes totally and permanently disabled before attaining the age of 60 —

The company will waive the premium; will pay one-tenth the face of the policy each year until the face amount has been paid; if death occur before payment of all installments, the balance will be paid in one sum.

Will pay one-tenth the face of the policy annually during lifetime of insured; if death occur before ten payments have been made, the amount payable shall be the face of the policy, less the payments made.

Will pay one-tenth the face of the policy annually during lifetime of insured and pay the face amount of policy at death.

If insured becomes totally and permanently disabled before attaining the age of 65—

The company will waive the premium.

Will pay one-tenth the face amount of policy annually during disability, with face amount payable at death.

In certain forms of policy, if disability occurs after age sixty, the premium is waived and the face amount of the policy is reduced by amounts waived, but the policy is not paid in installments.

By the terms of the contract containing waiver of premium clause, the company has the right at any time, and from time to time, but not oftener than once a year, to require proof of the continuance of disability. Upon failure of the insured to furnish such proof, or if it appears that the insured is no longer wholly disabled, no further premium shall be waived and no further installments paid, and if the insurance shall then have been reduced under any of the provisions of the clause, such reduced insurance shall then be the face of the policy and the premiums thereafter falling due and all benefits under the policy shall be reduced accordingly.

The total number of applications for waiver of premiums made by the policyholders whose policies contained the waiver of premium clause to December 31, 1916, was 855. These were disposed of as follows: Approved, 431; clause not operative, 143; proofs not completed by insured and dropped, 151; disapproved, 91; pending cases December 31, 1916, 39.

Of the cases approved, the causes of disability and present status are as follows:

<i>Causes</i>	<i>Premium waiver approved</i>	<i>Discontinued by death of insured</i>	<i>Recoveries from disability</i>	<i>In force December 31, 1916</i>
Tuberculosis.....	183	59	30	95
Insanity.....	108	23	15	70
Paralysis.....	30	7	4	19
Accident.....	22	1	7	14
Cancers and tumors.....	20	9	1	10
Miscellaneous.....	68	22	6	40
	431	120	63	248

The company, by the terms of the contract, must receive proof of disability before default in the payment of premium to entitle the insured to benefits. Consideration will be given the question of refunding premiums paid in the following types of cases:

1. Where the premium has been paid where the insured is mentally incapacitated.
2. Where the premium has been paid on the company's suggestion for the purpose of protecting the rights of the policyholder.
3. Where the notice of disability has been given prior to the date when the premium becomes due and the premium has been paid without any suggestion on the part of the company.

There is a standing committee on waiver of premium claims. The superintendent of the claim department, the general counsel, chief medical director and an assistant actuary of the company are on this committee. It considers each claim and votes on whether to waive premium or not. The cases coming before the committee are, on the whole, treated fairly. The committee, due no doubt to the fact that the membership thereof is well balanced, having legal, actuarial, medical and human representation, interprets the contract liberally, and this is especially so where tuberculosis cases are considered.

Unpaid Claim Liability:

A test check of some one hundred unpaid claims reported prior to January 1, 1916, was made and disclosed the fact that a number of these items run back from ten to fifteen years. The great majority of such claims are foreign and under the jurisdiction of local boards in the various countries which control payments of claims up to \$25,000, with the exception of the Japan office, which is authorized to pay claims of less than \$10,000. When claims are paid by local boards the papers and receipts for payments are forwarded to the home office and charged through the home office books, the files being kept there. The home office would therefore appear to have a general supervision over incompleeted cases and files and from the examination made it is apparent that there is no adequate system of follow up on such cases.

Resisted Claims:

A complete check of Schedule "F" of the company's annual statements for the years 1914, 1915 and 1916 was made.

In checking these schedules, all cases appearing as settled in 1914 were examined, and all cases outstanding December 31, 1914, were traced to the 1915 schedule. In like manner, the cases settled in 1915 were examined and the outstanding December 31, 1915, were traced to the 1916 schedule.

The 1916 schedule was checked with the legal department's docket. In examining the pending 1916 cases, several cases were noted where judgment against the company had been rendered and cases appealed by the company. In these cases the company has failed to list as the amount resisted the amount of judgment rendered against them. The items of increase are as follows:

Policy No. 4187252 — A. F. Long.....	\$495 00
Policy No. 71994501 — D. Montgomery.....	60 00
Policy No. 4707986 — W. C. Neasham.....	1,146 20
Policy No. { 4436139 } — G. W. Robb.....	525 00
Policy No. { 4459953 }	
Policy No. 5016140 — F. Winnington.....	148 40
Policy No. 7054023 — F. J. Mellody.....	130 82
	\$2,505 42

Two cases should have appeared in Schedule "F" as pending for 1915 and as settled in 1916.

In regard to the foreign cases, no papers were available for examination and the cases appearing in Schedule "F" were taken from the schedules furnished the home office by the various foreign branches.

The liability of \$1,500,000 which the company carries as a "Reserve for net death losses incurred but unreported" is considered adequate as a check of cases reported during the first six months of 1917, where death occurred prior to January 1, 1917, less the terminal reserves on such cases, amounted to \$1,202,742.

Considering the large volume of business handled by the company, the percentage of cases resisted is very small, and as a rule questionable cases have been investigated by the company, and unless the evidence of fraud, etc., was conclusive, have been paid. In a few cases, however, it would appear that the usual rule of the company was not followed.

Matured and Discounted Endowments:

Matured and discounted endowments paid during the first six months of 1916, about 3,150 cases, were checked. Papers and cancelled checks in each case were examined and all debit and credit items verified, interest and discount calculated and entries checked to disbursement sheets of the policy claim division.

On maturing endowments where the company is unable to locate the payee or secure an election of option, or unable to secure completion of some requirement, the check in payment is recalled and cancelled. Entries are reversed and liability carried for same in the unpaid endowment account. There are, however, certain issues of the fifteen-year endowment policies which provide by the contract itself that if no election of option is made within the period contained in the contract, the proceeds shall be held by the company subject to demand and interest and these cases are so treated.

In examining the endowments, but one error in calculation was found. When brought to the company's attention, correction was made and check mailed to the insured. In two other cases errors were made when original settlement was effected, but were discovered by the company and paid in 1916.

Unpaid Endowments:

The amount of this liability as of December 31, 1916, was \$112,189.91 domestic cases, and \$1,375,860.58 foreign cases. The majority of the domestic cases consist of part paid up endowments due as far back as 1899. Since 1913 the company has been endeavoring to clear up these cases and have succeeded in eliminating a great many from the liability.

Surrender values

In general, the values allowed by the company are as follows:

Issues Prior to 1899: Paid up purchased with insured's equity at company's published single premium rates according to year of issue. The reserve used to compute the equity varies with the year of issue of the policy, but in all cases is equal to or greater than the full reserve according to the American experience table with interest at $4\frac{1}{2}$ per cent. The values allowed at the

end of the tontine period on policies issued on the whole life plan from 1892 to 1899 are the full reserves according to American experience table with interest at 3 per cent; on limited payments and on endowments, full reserve according to combined experience table with interest at 4 per cent. On policies lapsed with no outstanding indebtedness, extended term insurance is granted automatically.

Issues 1899 to 1907: On lapsed policies, extended term is granted automatically, purchased at published term rates. Paid up values are granted, if applied for according to contract, purchased at published single premium, or a proportional part of the paid up stated in the policy for the number of years premiums have been paid.

1908 and Subsequent: The cash values are the reserves on the American table at 3 per cent, less a graded surrender charge up to the tenth year. Paid up insurance is purchased at net single premium American table 3 per cent. Extended term insurance is purchased at net 3 per cent temporary term rates.

Issues Prior to 1892: Lapsed policies are granted paid up insurance purchased with insured's equity.

Issues 1892 to 1899: Lapsed policies with indebtedness existing at time of lapse are granted paid up insurance purchased with insured's equity; without indebtedness, extended term insurance is granted.

Issues Since 1899: Lapsed policies are granted extended term insurance purchased with insured's equity.

The premiums charged by the company on ordinary life and limited payment contracts have not been changed since 1899. Endowments in 1908 were changed. At age 35 the 1908 endowment rates are slightly lower than the 1899 rates. It would seem as if the company in all fairness could apply the schedule of surrender charges used on issues of 1908 and subsequent to the issues of 1907. I might add that the above schedule of 1907 surrender charges are within 20 per cent of the reserve and comply with the Insurance Law.

The surrender charge of the company on issues since 1908 is per \$1,000 as follows: On ordinary life form, the surrender

charge for the first few years is even less to conform to the Louisiana law, which is 20 per cent of the reserve.

Second year.....	\$15 00	Sixth year.....	\$7 50
Third year.....	15 00	Seventh year.....	5 00
Fourth year.....	12 50	Eighth year.....	5 00
Fifth year.....	10 00	Ninth year.....	2 50

Full reserve tenth year and thereafter.

Surrender charge on 1907 issues is graded percentage of reserve. The following will illustrate:

Age 35:		Life,	20-year	Life,	15-year	Life,	10-year
Years in force	Ordinary	20-pay-	endow-	15-pay-	endow-	10-pay-	endow-
	life	ment	ment	ment	ment	ment	ment
3.....	6.25	13.60	21.40	17.84	30.55	25.56	5.07
5.....	12.51	21.97	32.41	28.03	45.86	39.33	64.68
9.....	19.45	35.21	46.95	42.66	53.43	49.52	24.77
13.....	22.00	44.61	45.73	48.44	27.24	.....	.....
16.....	21.73	46.71	34.47	.....	.....	.....	.....
20.....	17.83	43.97	.....	.....	.....	.....	.....

Restorations

In case of revivals, the actuary's department is notified by the comptroller's department, which furnishes the actuary's department with lists of revivals giving policy data. These lists are numbered consecutively, so the actuary's department knows at once if any one sheet is missing and not received by them.

The company's rules permit the agencies to consider and approve for restoration on personal health certificate in cases of \$2,000 and under within ninety days from due date of the premium and on blue note cases within sixty days from due date of blue note, provided the case is not marked as an impaired risk. On impaired risk cases the receipts are returned immediately after the expiration of thirty days' grace, unless the policy would be entitled to extended term insurance for five or more years.

All other cases are considered and approved for revival by the renewing division. Each case is considered on its merits.

On deferred dividend cases the general rule is to consider restoration within five years of lapse, provided the case is not within two years of maturity or dividend period. Such cases

would be governed by restoration clause in contracts. The forms of contracts vary from a six months' clause to any time within the accumulation period. The lapse card sent in by agencies with return receipt is kept by the renewing division for a year and then destroyed. Stock follow-up letters filed with working papers. Special letters are written on cases requiring special treatment. Impaired risk cases are not followed up for restoration as a general rule unless the case would be entitled to long extended term. In addition to the efforts of the home office to revive the business the agencies also work on the cases. It seems to me that the final letter of the company (which is frequently registered) urging restoration should include a statement as to what automatic value the policy may have, or when the automatic value is put on the books of the company, the policyholder should be advised.

Examiners' Check

All papers and cancelled checks for cases settled during January and February, 1916, were examined and checked to disbursement sheets, and items of debit and credit thereon verified. The check involved the handling of 4,278 cases. Surrender values in suspense were examined and checked from the card record of each case and the outstanding liability as reported by the company found to be correct at \$312,624.38. The same reason for non-payment of the endowments holds good for the surrender value cases, viz.: War conditions and inability of the company to locate payees, although efforts are still being made to this end.

In addition to the 3,150 endowment disbursements for the first six months of 1916, and 4,278 disbursements on surrender for January and February, 1916, approximately 19,000 items of disbursement, covering the first three months of 1916, were checked to the disbursement sheets of the policy claims division by means of the cancelled checks in payment of annuities, dividends, withdrawn dividend deposits and miscellaneous fund disbursements.

About 500 cases foreclosed during the early part of January, 1916, were withdrawn from the files, actuary's calculations verified and checked to the foreclosure sheets. Cases where paid up or extended term insurance was purchased with balance of equity were computed and verified. Policies foreclosed and endorsed

"Paid up or extended term" are not registered when sent to policyholders, except in Missouri cases and some special cases. If they were all registered the company would have legal evidence to use if necessary.

Special Cash Value Allowed on Ten-Year Renewable Term Policies:

Ten-year renewable policies issued by the company in 1890-92 contain the following clause re surplus:

* * * that it shall participate in surplus profits only at intervals of ten years from the date hereof, and then only in case of its renewal and extension beyond the term then expiring.

It will be noted from this clause that no provision as to how it shall participate in the surplus is mentioned. The natural assumption would be in cash, but the company used the surplus declared by converting it into "temporary tontine annuities," payable annually for ten years, but used only in reduction of each subsequent premium for the next ten-year period. If the policy lapsed, any unpaid tontine annuities were forfeited to the company as the policy simply lapsed and had no cash value. In other words, the annuity ceased by *lapse* instead of *death*.

In 1913 the company endeavored to secure the exchange of these ten-year renewable term policies where the attained age was not beyond age sixty and allowed a value on exchange of the present value of the unexpired "tontine annuities." These exchanges were considered on the basis that the cash value allowed would be applied as far as possible toward payment of premiums on the new policy at attained age and any excess was paid in cash.

The exchanges were first made by the home office representative. No examination required for exchange, but exchanges in 1915 and 1916 have been made through the different agencies on the same basis, no examinations required and regular term policy commissions paid the agents, as if they were entirely new cases.

Extended term cash values: The company selected from cases running under long periods of extended term cases of suitable age in a few of the agencies and agreed to allow a cash value, consisting of 60 per cent or 90 per cent of the value of the unexpired term to be used in the purchase of new insurance.

The actuary's department, when charging for the term used, charges the preliminary term rate, not on the net amount of insurance at which the company has been carrying the risk, after deducting the loan from the face of the policy, but on the full face of the policy. On the other hand, when finding the value of the unexpired term, they use the net amount, or the amount at which the company is carrying the risk, which is correct. The company, after days of grace, is only on the risk for the face of the policy, less any indebtedness, and that is the amount for which they should charge term insurance. The equity under the policy is determined from date of lapse and from this equity any charge for the term used should be deducted.

Cash Value for Paid Up Policies:

According to the rules of the actuary's department, if the value arrived at by the American $4\frac{1}{2}$ per cent or actuaries 4 per cent does not equal the loan value which was available at date of lapse, the loan value is to be the cash value. In other words, a value is to be given at least equal to the equity used to purchase the paid up at date of lapse.

Policy Changes

Increase in Age:

The company's method, on ascertaining that an error has been made in age given, is to secure from insured evidence of the correct date of birth and return of the policy, which is reissued for a reduced amount corresponding to the premiums paid.

Shortening the Dividend Period:

The company's rule requires the insured to be examined at his own expense (unless the agent has secured his application recently for new insurance). Insured also furnishes a request for change and statement that the policy is not now assigned and that it is not his intention to sell or assign it to any policy broker, banker, or to any person engaged in the purchase of life insurance policies.

Reduction in Amount of Insurance:

This mode of change amounts to a surrender of amount discontinued, and if policy has been in force long enough to acquire

a cash value, the change is made on the basis of surrender value for the amount discontinued, which goes through with the regular cash surrenders, the value either being given in cash or applied to reduce indebtedness. In some cases it is used to pay premiums in advance on the balance of policy remaining in force.

Fully Paid Up Under Policy Option:

This is an option available under ordinary life and endowment policies, which provides for the conversion into a fully paid up life policy, purchased with the surrender value and the tontine dividend at the maturity of the accumulation period. Under the limited payment policies, if the insured desires to convert the tontine dividend into additional paid up insurance, the insured furnishes evidence of insurability satisfactory to the company. The same requirement is made under the endowment forms. On the ordinary life, however, the conversion is made without any requirement as to insurability, because the contract provides for this conversion without medical examination, it being expected that the entire value under the ordinary life contracts would not purchase an amount in excess of the face of the policy.

Reduction of Premiums from Tropical or Sub-tropical to a Northern Rate:

The policy contract provides for a reduction of premium to northern rates, when evidence is submitted of temporary or permanent residence in the States.

In cases of temporary change of residence, the company gives a pro rata allowance of difference in premiums, but does not change the reserve.

In case of permanent change in residence, the case is put through as a policy change and the reserve changed accordingly, the allowance made to the policyholder being the difference in premiums dating from his arrival in the States.

When changing these policies from a tropical to a northern rate, no change is made in the policy contract, the premium simply being reduced.

Comparison of the values of the tropical and northern policies shows that the loan and paid up values are equal, but the extended term value under the tropical is lower than the northern.

Age Reduction Where Age Has Been Misstated:

On such cases the company secures the return of the policy, and, in lieu of reducing the premium, the face of the policy is increased in amount of insurance, which method is the equivalent of reducing the premium.

Changes from Higher Age to Lower Age:

The company, in making these changes, appears to follow no general rule. If the reduction is made on account of occupation, statement is secured from the insured change in occupation, date, etc., and allowance made between difference in premium plus difference in policy, values, if any, to the date of adjustment of premiums, less any difference in dividends already paid on the premiums adjusted.

If the change is made on account of change in physical condition, an examination at insured's expense is required and no allowance made, except a difference of premium for the current year or part of a year that may have been recently paid.

Blue Note Foreclosure Cases:

The company prior to 1913 charged interest on policy loans to maturity date of blue note and refunded unearned interest from that date where notes were not paid. As no value was allowed for this period of the note, this interest charge was criticized at the last department examination of the company, and in 1913 the company adopted the method of using the unearned loan interest to purchase extended insurance; in other words, considering it part of the equity under the policy for this purpose.

Under the contracts the equity available to purchase extended term insurance consists of cash value of policy and reserve value of dividend additions, and as the loan interest is paid in advance and not part of the contract value at time of lapse, it should be refunded to the policyholder in cash.

Blue Note Agreements:

With the exception of policies written on the term, renewable term, or economic plans, the blue note contract may be made on any premium except the first, provided the policy be then in force, on payment by the insured in cash of a sum equal to not less than 25 per cent of the premium due on policies written on any other plan of insurance.

In company's "Compendium and Instructions to Branch Office Cashiers," the following appears relative to blue notes:

Terms of the blue note agreement — In arranging a blue note agreement — (a) Collect as much cash as possible, never less than the percentage stated above.

According to the terms of this contract any cash paid by the insured shall be retained by the company "as part compensation for the rights and privileges hereby granted." It further states that the rights under the policy shall be the same as if said cash had not been paid nor the agreement made, except only that the time within which the owner may make a choice of benefits after lapse is extended for three months after the due date of the note.

In those cases where the note is not paid the policyholders affected do not seem to be all treated alike.

The company grants an extension of insurance for the time of the note and is entitled to pay for this, which pay would seem to be the cost of term insurance for that time, and in all cases the 15 per cent and 25 per cent minimum of premium which must be paid in cash is ample to take care of this cost. When the company's instructions are to collect as much cash as possible from the insured, it penalizes the one who pays more than the minimum, in that he is treated exactly the same as the one that paid the minimum. Both are lapsed as of the due date of the premium and forfeit the cash paid.

AGENCIES

The company conducts its domestic agencies under the the branch office system; that is, each agency is controlled by a salaried manager or director, subject to the direction of the home office. His duties are to conduct the office, find and appoint new agents, instruct them and supervise their activities. In addition, he is

required to produce personal business on which he receives the usual agents' first year and renewal commissions and traveling expenses when away from his district on the company's business.

A further renewal commission on the fifth year premiums paid of 1, 2 or 3 per cent is granted on each year's issue of his entire agency, and a separate quota by the new organization of each year and expenses within certain limits.

Agency cashiers and other employees are controlled from the home office, as are also the branch office expenses.

Agents' contracts issued since 1907, when all were revised, are practically uniform; in fact, but two forms are used. The distinction applies between part time agents and agents devoting their whole time and energies to the company's business, thereby qualifying for "Nylic."

In addition to the usual compensation, monthly "Nylic" payments are made under two new systems. Nylic No. 1 applies to agents with Nylic contracts issued prior to 1907, and Nylic No. 2 on contracts issued since 1907. Nylic compensation is permitted only to agents giving their entire time to the company's service. Both systems have been previously reported upon and are still on the same basis.

The company also assigns agency organizers to certain branch offices and a few instructors or agents' counsellors. The compensation of such men in a salary and commission (usual agents' contracts) on personal production. Their duties are to produce new agents and instruct them in their field work.

The examination of agency methods and to verify the above facts and rates of commission, all active contracts of two agencies were examined, St. Paul, Minn., with fifty-three agents, and Park row, New York city, with fifty-two agents.

The contract provisions were checked to the contract brief cards at the home office (one copy at the agency) and such brief cards were checked to the premium cards in the comptroller's division. The latter cards bear the rates of commission due on each policy and the amount thereof and dates paid. The items are inserted and computed by the commission division and such figures used to check the agency reports. The premium cards were then used to check actual payments made in the daily reports. This latter

check included two months' daily reports of St. Paul agency. The check from brief cards to premium cards included sufficient issues of a number of years to establish the fact that the date is correctly entered thereon and computed. All payments were found to be in accord with the various contract provisions. Any other payments made to agents were checked in the examination of agency vouchers.

The agency director of the Park row branch also has the title of inspector of agencies in charge of the eastern department. In addition to the usual commission contract on his personal writings and a salary of \$1,000 per month, he receives the agency director's conditional fifth year renewal commission on the yearly business of such agency from 1 per cent to 3 per cent, and a conditional fifth year renewal commission on the yearly business of the entire eastern department, which includes about eleven agencies, of from $\frac{1}{2}$ per cent to $1\frac{1}{2}$ per cent. These fifth year commissions are contingent upon a certain allotment of production by the agency and by the eastern department. The production of senior Nylic and other agents who qualify for their fifth year renewal commissions are included as to volume, but the rate paid to the inspector of agencies is reduced to 1 per cent from $1\frac{1}{2}$ per cent on such premiums.

The company operates 98 branch offices in the domestic field, including Havana. On December 31, 1916, the agency force consisted of 4,838 agents, controlled by 83 directors or managers, 11 inspectors of agencies, 3 supervisors, 55 organizers, 4 agents' counsellors and 6 instructors.

The foreign field, outside of the European direction, consists of 5 branch offices with 330 agents, controlled by 9 directors or managers, 2 inspectors of agencies and 5 organizers. There are 2 general agents, but they report through the Japan branch office; hence no general agencies.

Owing to the conditions in Europe most of the branch offices have been discontinued and the managers and certain men switched about on various special details or released. I am told no definite facts can be given as to the actual conditions without considerable work.

OFFICERS

The following is a list of the officers of the company, together with their salaries for the year 1916:

		<i>Per annum</i>
President.....	Darwin P. Kingsley.....	\$75,000
Vice-President.....	Thomas A. Buckner.....	50,000
Vice-President.....	Rufus W. Weeks.....	30,000
Treasurer.....	Frederick H. Shipman.....	25,000
Second Vice-President.....	John C. McCall.....	25,000
Second Vice-President.....	Walker Buckner.....	25,000
Secretary.....	Seymour Ballard.....	15,000

There has been no change in the officers or their salaries since 1913.

CONCLUSION

The management and officials of the company have exerted every effort to give the examiners complete information regarding the company's business. On the whole the company's treatment of the policyholders has been fair and without discrimination. The company's assets are in good condition and it has ample reserves to cover all contingencies. The company maintains an efficient organization.

 NIAGARA LIFE INSURANCE COMPANY

BUFFALO, N. Y.

Examined to ascertain condition July 31, 1917.

Report dated August 14, 1917.

Examiner: C. T. Sanders.

HISTORY

This company was originally organized in 1869 as a fraternal organization, and then known as the Bank Clerks Mutual Benefit Association. In 1893 it was incorporated as an assessment association, adopting the title Bankers Life Insurance Company. In 1899 it was reincorporated under section 52 of the New York Insurance law as a level premium company with \$100,000 capital stock.

In 1911 the name was changed to the Niagara Life Insurance Company and the principal office moved to Buffalo, N. Y. In 1914 the amount of capital stock was increased \$50,000, making a total amount of \$150,000, with authority and permission from the superintendent of insurance to transact health and accident business.

FINANCIAL STATEMENT

The following is a statement of the income and disbursements for the period beginning January 1, 1917, and ending July 31, 1917, with a statement of assets and liabilities as of the latter date:

Income

Total new premiums.....	\$14,049 86	
Total renewal premiums.....	140,383 96	
Total premium income.....		\$154,433 82
Gross interest on mortgages.....	8,820 75	
Gross interest on bonds and dividends on stocks..	16,089 04	
Gross interest on policy loans.....	7,332 95	
Gross interest on bank deposits.....	1,951 98	
Gross interest on premiums.....	35 09	
Gross discount on claims paid in advance.....	140 10	
Gross rents.....	3,654 00	
Total gross interest and rents.....		38,023 91
Stockholders' contribution.....	\$105,000 00	
Illegal dividends returned to company.....	209 62	
Subscription rights.....	246 09	
Gross profit on sale of real estate.....	13 50	
Suspense.....	113 88	
Exchange.....	27	
Casualty department income.....	13,395 36	
		118,978 72
Total income.....		\$311,436 45
Ledger assets December 31, 1916.....		1,591,514 26
Total.....		\$1,902,950 71

Disbursements

Death claims and additions.....	\$78,491 00
Matured endowments.....	3,000 00
Surrender values paid in cash.....	17,508 74
Surrender values applied to pay premiums.....	1,509 09

Surrender values applied to purchase paid-up insurance.....	317 92
Dividends paid in cash.....	216 99
Dividends applied to pay renewal premiums.....	65 27
Total paid policyholders.....	\$101,109 01
Expense of investigation and settlement of policy claims.....	25 00
Commissions to agents:	
1st year premiums.....	\$5,341 19
Renewal premiums.....	2,161 29
	7,502 48
Agency supervision and traveling expenses of supervisors	4,717 88
Branch office expenses, including salaries of managers and clerks not included above.....	3,123 06
Medical examiners' fees	1,019 50
Inspection of risks.....	744 55
Salaries and all other compensation of officers, directors, trustees and home office employees.....	19,452 07
Rents.....	2,484 17
Printing and stationery.....	\$424 30
Postage, telegraph, telephone and express.....	707 55
	1,131 85
Legal expenses	607 81
Repairs and expenses (other than taxes) on real estate.....	1,728 42
Taxes on real estate.....	1,693 93
State taxes on premiums	2,531 46
Insurance department licenses and fees.....	148 07
U. S. internal revenue tax.....	31 50
Personal property tax.....	108 39
Miscellaneous home office expenses.....	1,247 78
Profit and loss.....	41 65
Mortgage fees and taxes.....	143 12
Interest paid	1 26
Casualty department disbursements.....	9,949 90
Agents' balances charged off.....	1 46
Gross loss on sale of real estate.....	703 50
Gross decrease by adjustment in book value of bonds.....	1,157 58
Total disbursements	\$161,405 40
Balance.....	1,741,545 31
Total.....	\$1,902,950 71

Ledger Assets

Book value of real estate.....	\$208,524 99
Mortgage loans on real estate.....	280,100 00
Loans made to policyholders on this company's policies assigned as collateral	261,069 32
Premium notes	2,401 85

Book value of bonds.....	\$595,241 89	
Book value of stocks.....	65,556 63	
		660,798 52
Cash in company's office.....		200 00
Deposits in trust companies and banks not on interest.....		5,424 49
Deposits in trust companies and banks on interest.....		222,556 17
Agents' balances (net).....		82,891 83
Furniture and fixtures.....		9,579 38
Travelers' fund.....		12 17
Unexpired insurance.....		154 94
Suspense.....		445 59
Casualty department assets — premiums in course of collection		7,386 06
Total ledger assets as per balance.....		\$1,741,545 31

Non-Ledger Assets

Total interest due and accrued.....	\$13,340 22
Market value of real estate over book value.....	41,225 01
Net amount of uncollected and deferred premiums.....	44,101 48
Illegal dividends.....	6,838 41
Gross assets.....	\$1,847,050 43

Deduct Assets Not Admitted

Furniture and fixtures.....	\$9,579 38
Agents' debit balances.....	85,567 45
Premium notes, policy loans and other policy assets in excess of net value and of other policy liabilities on individual policies	3,801 79
Overdue and accrued interest on bonds in default.....	733 00
Book value of bonds and stocks over amortized value of bonds and market value of stocks and bonds not subject to amortization:	
Bonds.....	\$30,646 14
Stocks.....	23,945 63
	54,591 77
Deposit in suspended bank — estimated loss.....	3,997 00
Unexpired insurance.....	40 15
Travelers fund.....	12 17
Suspense.....	140 00
	\$158,462 71
Total admitted assets.....	\$1,688,587 72

Liabilities

Net present value of all the outstanding policies in force on the 31st day of July, 1917, as computed by the examiners.....	\$1,466,959 00
Deduct net value of risks of this company reinsured in other solvent companies	24,017 00
Net reserve (paid for basis).....	\$1,442,942 00
Extra reserve for total and permanent disability benefits included in life policies.....	750 00
Mortuary reserve fund Class "A".....	29,670 19
Total policy claims.....	20,296 00
Dividends left with the company to accumulate at interest and accrued interest thereon.....	4,833 92
Premiums paid in advance.....	742 43
Unearned interest	4,352 69
Commissions to agents due and accrued.....	442 90
"Cost of collection" on uncollected and deferred premiums, in excess of the loading thereon.....	733 68
Office expenses, bills and accounts due or accrued.....	1,600 00
Amounts hereafter payable for federal, state, and other taxes, based upon the business of the year of this statement (estimated)	1,500 00
Medical examiners' fees due or accrued.....	93 00
Casualty department liabilities.....	14,558 89
Suspense	210 97
Capital stock	150,000 00
Unassigned funds (surplus).....	15,861 05
Total	\$1,688,587 72

ACCIDENT AND HEALTH DEPARTMENT*

Income

Net premiums	\$13,395 36
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Disbursements

Net amount paid policyholders for losses.....	\$8,099 31
Investigation and adjustment of claims.....	23 10
Commission or brokerage, less amount received on return premiums and reinsurance.....	1,739 49
Medical examiners' fees and salaries.....	88 00
Total disbursements	\$9,949 90

Ledger Assets

Premiums in course of collection, effective on or after May 1, 1917	\$7,386 06
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* Company states that all classes of policies are secured by entire assets of company.

Liabilities

Losses and claims unadjusted.....	\$837 50
Unearned premiums (pro rata basis).....	12,471 39
Commissions, brokerage and other charges due or to become due on policies effective on or after May 1, 1917.....	1,250 00
Total liabilities	<u>\$14,558 89</u>

CHANGES IN SURPLUS

The change in surplus as of July 31, 1917, shown by this report over the company's annual statement on December 31, 1916, is accounted for as follows:

	Company's figures Dec. 31, 1916	Examiner's figures July 31, 1917	Increase	Decrease
INCOME:		\$206,436 45	.....	.....
Stockholders' Contribution.		105,000 00	.....	.....
		<u>\$311,436 45</u>		
Less Disbursements		161,405 40	.....	.....
		<u>.....</u>	\$150,031 05	.....
NON-LEDGER ASSETS:				
Interest due and accrued..	\$14,437 63	\$13,340 22	.....	\$1,097 41
Market value of real estate over book value.....	46,225 01	41,225 01	.....	5,000 00
Uncollected and deferred premiums and illegal divi- dends	54,116 13	50,939 89	.....	3,176 24
Other items	5,333 00	.....	.....	5,333 00
ASSETS NOT ADMITTED:				
Book value of bonds over market value	16,602 35	30,646 14	.....	14,043 79
Book value of stocks over market value	14,003 68	23,945 63	.....	9,941 95
Other items	104,996 84	103,870 94	1,125 90	.....
LIABILITIES:				
Policy reserve	1,415,210 00	1,466,959 00	.....	51,749 00
Waiver of premium reserve.		750 00	.....	750 00
Reinsurance reserve allowed	22,636 00	24,017 00	1,381 00	.....
Death claims resisted.....		2,000 00	.....	2,000 00
Policy claims	27,442 60	18,296 00	9,146 60	.....
Class "A" reserve.....	10,126 00	29,670 19	.....	19,544 19
Casualty department	12,220 28	14,558 89	.....	2,338 61
Other liabilities	17,529 76	14,509 59	3,020 17	.....
			<u>\$164,704 72</u>	<u>\$114,974 19</u>
			114,974 19	

Increase in surplus for the seven months ending July	
31, 1917	\$49,730 53
Impairment December 31, 1916	33,869 48
Surplus July 31, 1917	\$15,861 05

Income and Disbursements

Every premium payment received during the four months of 1917 as posted on the premium credit cards was checked with the premium received book and general ledger, and checked with deposits made in bank.

All death claims and payments to policyholders from January, 1914, to May, 1917, were checked with the claim papers and general ledger. Vouchers for commissions and payments to one agency were checked for the past three years, with the general ledger.

All the other items of income and disbursements for 1917 were carefully checked.

Assets

Real Estate:

The company's real estate holdings consist of twelve parcels, all acquired through foreclosure. Two parcels are in New York city and the balance in Massapequa, Long Island. Each parcel was appraised by this Department and the aggregate market value claimed by the company on the Massapequa property has been reduced \$5,000 in this statement.

Mortgages:

On July 31, 1917, the company owned twenty-eight mortgages on New York property and one on New Jersey property. All mortgage papers were examined, and where payments had been made on account and no endorsement made, the same were traced to the mortgage record and general ledger of the company. Each loan is adequately protected by insurance against loss by fire, and the policies contain the customary mortgage clause, loss, if any, payable to the Niagara Life Insurance Company as its interests may appear. The Department appraisals show that nine mort-

gages were in excess of two-thirds of the value of the property. Since the appraisals were made one of the mortgages has been reduced to the required amount, and the others are in course of adjustment.

Bonds and Stocks:

All bonds and stocks in possession of the Company were counted, checked with the schedule and verified with the general ledger. The company has the following bonds on which the market value as of July 31, 1917, has been allowed instead of the amortized value.

	Book value	Par value	Market value July 31, 1917
Minn. & St. Louis Ry. Co. 1st and ref. mtg. 1949	\$17,412 27	\$20,000	\$9,600
Mo. Kansas & Texas R. R. Co., St. Louis Div. 1st and ref. 4s, 2001	9,259 07	10,000	3,500
N. Y. Ry. Co. Income, 1942	9,500 00	15,000	3,600
St. Louis & San Fran. R. R. income, 1955	6,128 33	6,000	3,960
St. Louis & San Fran. R. R. income, 1960	8,184 00	10,000	4,900
Syracuse, Lake Shore & Northern 1st 5s, 1947	9,134 38	10,000	7,000
Third Ave. Ry. Co. income, 1960	6,000 00	6,000	2,400
	<u>\$65,618 05</u>	<u>\$77,000</u>	<u>\$34,960</u>

Cash:

Cash was counted at the close of business on July 31st and the amount checked with the balance as carried on the general ledger.

Bank Balances:

Certificates were obtained from the several banks showing the balance on hand July 31, 1917, and were reconciled with the books of the Company. Numerous errors were made by the cashier's department in entering on the check stubs the various deposits. The bank accounts have not been reconciled regularly, and several errors contained in the reconcilements have been allowed to accumulate. Correction on these records has been made.

European-American Bank in liquidation. The company has on deposit with this institution \$5,424.49. Of this amount, \$3,997 has been deducted as an "asset not admitted."

Policy Loans:

All policy loans were listed from the loan agreements and automatic premium loans from the envelope containing the unpaid renewal receipts. These loans were checked with the policies in force and balanced with the amount carried as a ledger asset.

Premium Notes:

The premium notes were listed and the total amount is \$304.81 less than the ledger balance. Have allowed the ledger figure in the assets, but deducted the \$304.81 as an "asset not admitted." This difference is composed of two notes on policies that lapsed in 1916.

On July 31st there were several premium notes overdue, in some cases the company has collected interest on these notes. The Company's attention was called to these overdue notes and letters are being sent to the policyholders, advising them that a new note must be executed or the policy loan increased sufficiently to cancel the outstanding note.

*Non-Ledger Assets**Illegal Dividends:*

The amount of these dividends is carried in the statement as an admitted asset, and on July 31, 1917, amounted to \$6,838.41. The company paid to certain policyholders during 1901 to 1904 dividends which came from the capital stock, and according to the decision of the Supreme Court in 1906, the policyholders were not entitled to receive such dividends. The company deducts the amount of these so-called illegal dividends without any interest charge when settlement is made for death claim, or surrender of policy. Have listed the amount of each dividend and checked same with policies in force, and included these amounts when computing the excess of loans, liens, etc., over the mean reserves.

Uncollected and Deferred Premiums:

The amount of uncollected and deferred gross and net premiums was listed from the actuarial cards and checked with the policies in force.

Interest Due and Accrued:

The interest was computed as of July 31, 1917, for bonds, mortgages and each policy loan or premium note.

*Liabilities**Reserve:*

The company reports to the Insurance Department in group valuation order, and also maintains a valuation card record for each policy, showing all particulars necessary for a correct valuation.

The "credit" cards are the Accounting Department's individual record of each policy, showing premiums received, loans made, etc. Verified the accuracy of the credit cards by checking the premiums received and posted on the cards during four months of 1917, and then listed the policy number and amount of insurance for each policy in force as of July 31, 1917, from "credit" cards.

The actuarial valuation cards were compared with the New York Insurance Department's valuation registers, and various differences in reserve corrected. Entered the amount of reserve on the sheets previously prepared using the 1917 mean reserve for all policies issued from January 1st to July 31st in each year, and the 1916 mean reserve for all issues during the months of August to December inclusive. In this way the correct mean reserve as of July 31st was obtained and the accounting department's records checked with the Insurance Department and actuarial records. The amounts on the sheets were then footed and the total used as the mean reserve liability on July 31, 1917.

The company has in force sixty-three (63) policies for \$137,000 issued in 1898 and prior years, which are valued as one year term insurance. When the attained age of the policyholder passes the age of 45, the gross annual premium collectible is less than the tabular net annual premium for that age and in accordance with section 85 of the New York Insurance Law, an additional liability must be carried. On July 31, 1917, this separate liability amounted to \$679.00. No liability for this item was reported as of December 31, 1916.

In 1911 and subsequent years the company issued policies containing a waiver of premium clause. No reserve liability was carried for this item on December 31, 1916. The estimated liability for this item amounts to \$750, based on an average rate of 25 cents per thousand for \$3,000,000 of insurance in force on July 31, 1917.

CLASS "A"

This class of policyholders are the original members of the Bank Clerks Mutual Benefit Association. The death benefits of Class "A" certificates are \$1,000 each, and the amount of assessments are \$1.00 for each death.

During the past three years and seven months the membership has decreased by death from 129 certificates for \$129,000 insurance as of December 31, 1913, to 111 certificates for \$111,000 insurance as of July 31, 1917. The following statement shows the amount of assessments received and the amount of claims paid:

During	Number of deaths	Amount of assessment received	Amount of claims paid
1914.....	9	\$1,182 00	\$9,000 00
1915.....	3	235 00	3,000 00
1916.....	3	417 00	3,000 00
to July 31, 1917.....	3	336 00	3,000 00
	18	\$2,170 00	\$18,000 00
Less Assessments received.....			2,170 00
Net cost or loss to the company.....			\$15,830 00

Article 3, section 2 of the constitution of the Bankers Life Insurance Company adopted in 1893, provides that the Board of Managers each year, shall cause to be paid into the mortuary fund of Class "A" a sum equal to \$1.00 for each \$1,000 of insurance in force in Class "B" on the 31st day of December of that year.

On December 31, 1913, the Company reported a liability for Class "A" certificates as \$16,545.10 which represented the contributions from Class "B" in accordance with the constitution and by-laws of the Bankers Life Insurance Company and the amount of assessments received, less the amount of death claims and surrender values paid.

On December 31, 1916, the company reported a "Special Reserve Fund, Class 'A' Policies" of \$10,126, which was obtained by valuing the certificates as one year term insurance and then adding a little more than one-half of the total one year term reserve to take care of the deficiency in premium.

The company changed their method of valuing Class "A" certificates and by so doing reduced the amount that should be carried in accordance with former methods of valuing. Therefore, I have computed the liability for Class "A" policies in accordance with the constitution and by-laws adopted in 1893, and increased the liability on July 31, 1917, over December 31, 1916, by \$19,544.19.

Reinsurance:

The reinsurance as reported in the schedule was checked with the policies and premium receipts, and found correct. In ascertaining the mean reserve to be allowed, the method used is the same as described under "Reserve."

Premiums Paid in Advance and Unearned Interest:

The amount of premiums paid in advance was listed from the premium credit cards. The unearned interest on policy loans and notes was computed for each case as of July 31, 1917.

Death Claims:

An examination of the claims paid during the past three years and five months shows that claims are promptly paid.

When two or more quarterly premiums are required to complete the policy year, the practice of the company has been to deduct the quarterly payments in full, that is, without discount. Hereafter the company has promised to discount such payments.

Claim No. 1190 — Policy No. 27374 — Liability increased \$2,000. This is a death loss claim resisted by the company, and no liability was carried on December 31, 1916. The insured was reported dead in May, 1912, and the company resisted payment, claiming fraud in obtaining the policy. Three trials by juries have resulted in decisions against the company and three other times,

judges have decided in favor of the company. The case is still pending, awaiting a new trial.

Cost of Collection:

To provide for the commissions which the company will have to pay when the deferred and uncollected premiums on new business are collected, have set up as a liability \$733.68. This amount is ascertained by assuming 40% as the average rate of commission on new business and applying this rate to the gross amount of new uncollected and deferred premiums, and deducting from this result the actual loading on the new uncollected and deferred premiums.

AGENCY

The system now being established may be known as the General Agency System. It is the intention of the company to hold each general agent accountable for the amount of new business provided under his contract, paying practically all of their own expenses and deriving all of the benefits from the business which their respective territory provides.

Since May 15, 1917, nine branch offices have been discontinued, and contracts have been executed for general agencies in these cities on a commission basis, at an estimated annual saving to the company of approximately \$20,000.

HOME OFFICE

Since May 15, 1917, the home office force has undergone a complete change at a very material reduction in expense as the following list of salaries shows:

Name	Title	Annual salaries of officers and home office managers prior to May 15, 1917	Annual salaries subsequent to May 15, 1917
William H. Crosby	President	\$2,400	None
J. Foster Warner	Vice-President	None	None
T. W. Hendrick	Vice-Pres. and Gen. Mgr.	7,500	Resigned
N. R. Johnson	Secretary	1,500	Resigned
C. D. Coyle	Treas. and Gen. Counsel	3,600	
C. D. Coyle	Treas., Gen. Counsel and Sec.		\$2,400
J. M. Surdam	Asst. Actuary	1,320	1,320
A. E. Johnson	Supt. of Agents	3,600	2,400

Name	Title	Annual salaries of officers and home office managers prior to May 15, 1917	Annual salaries subsequent to May 15, 1917
E. H. Burke	Vice-Pres. and Gen. Mgr.		2,400
E. H. Burke	Asst. Supt. of Agents	2,400	
J. W. Young	Medical Director	3,000	Resigned
Dr. B. C. Johnson	Medical Director		None
J. J. Murphy	Cashier	1,320	Resigned
		\$26,640	\$8,520

MORTALITY

The company has experienced a favorable mortality this year, as the following table shows:

	Expected loss	Actual loss	Ratio of actual to expected loss
1913.	\$133,847 00	\$156,009 00	116.5
1914.	137,871 00	136,074 23	98.6
1915.	128,927 00	120,815 64	92.0
1916.	128,724 00	117,405 75	91.0
To July 31, 1917.	75,089 00	65,838 00	87.7

The following table shows the amount of insurance issued, terminated and in force since December, 1913:

	Issues	Terminations	In force
December 31, 1913.			\$7,740,048
1914.	\$1,163,175	\$896,887	8,006,336
1915.	1,275,052	1,184,731	8,096,557
1916.	1,246,626	958,629	8,384,554
To July 31, 1917.	437,385	563,653	8,258,284

Terminations classified are as follows:

	1914	1915	1916	Jan. 1, 1917 to July 1, 1917
Death.	\$164,252	\$192,296	\$163,004	\$77,829
Maturity.	4,000	5,000	12,051	3,000
Expiry.	107,615	152,754	105,540	29,518
Surrender.	178,699	234,919	188,269	90,348
Lapse.	421,854	582,360	467,300	343,928
Decrease.	20,467	17,402	22,465	19,030
		\$896,887	\$1,184,731	\$958,629
				\$563,653

A comparison of the income for 1914 and 1916 shows a decrease of first year premiums in 1916, but an increase in renewal premiums:

	1914	1915	1916	Jan. 1, 1917, to July 31, 1917
First year premiums.....	\$38,987 32	\$32,627 76	\$37,221 18	\$14,285 15
Renewal premiums.....	229,348 79	230,119 63	233,877 09	142,132 10
Interest and rents.....	61,968 65	58,517 40	66,391 90	37,917 03

ACCIDENT AND HEALTH BUSINESS

The company issues health and accident insurance in connection with their regular life policies, in one contract.

No health or accident insurance is issued where applicant is declined for insurance.

An examination of the claim register and the payments made for the past three years indicates that the company has been very liberal in their settlements.

The company has increased the health and accident premium rates approximately 25%, to take effect on October 1, 1917. Also, all claims arising on policies issued on and after said date, a physician's certificate will be required, stating cause of illness, date, etc.

The reserve for unearned premiums as carried by the company on December 31, 1916, was computed on the net annual premium basis instead of 50% of the gross premiums in force. Have computed the reserve for unearned premiums on the gross premium basis, using the pro rata method.

EXHIBIT OF PREMIUMS

	Accident and health
In force December 31, 1916.....	\$19,786 00
Written or renewed.....	13,395 36
Total.....	\$33,181 36
Expired and cancelled.....	10,461 36
Net in force July 31, 1917.....	\$22,720 00

CAPITAL STOCK

The outstanding certificates have been verified from the stock certificate books and stock ledger and consist of 1474 shares of

the Niagara Life Insurance Company and 26 shares of the Bankers Life Insurance Company, par value \$100 per share. The management have promised to recall and cancel the 26 shares of Bankers Life Insurance Company stock and issue the same number in the Niagara Life Insurance Company.

During July, 1917, the stockholders voluntarily donated \$105,000 to the company.

CONCLUSION

The company has quite a number of risks in excess of \$5,000 on a single life; the majority of such cases are on the ten year renewable term plan. It would seem advisable that the company should endeavor to reduce the amount of risk on term policies by reinsuring or otherwise, and in the future should not assume a risk on a single life in excess of \$5,000.

The company now operates only in the states of New York and Pennsylvania.

SECURITY MUTUAL LIFE INSURANCE COMPANY

BINGHAMTON, N. Y.

Examined to ascertain condition, December 31, 1917.

Report dated March 25, 1918.

Examiner: T. L. Lynch.

The examination was made as of December 31, 1917. The income and disbursements for the period from January 1, 1917, to and including December 31, 1917, and the assets and liabilities as of the latter date are set forth in the following financial statement:

Income

First year's premiums on original policies, less reinsurance	\$253,345 48	
Dividends applied to purchase paid-up additions and annuities	7,910 54	
Surrender values applied to purchase paid up insurance	26,774 48	
Total new premiums		\$288,030 50

Renewal premiums, less reinsurance.....	\$1,456,714 08
Dividends applied to pay renewal premiums....	98,389 75
Surrender values applied to pay renewal premiums	10,178 74
Total renewal premiums.....	1,565,282 57
Extra premiums for total and permanent disability benefits..	724 35
Total premium income	\$1,854,037 42
Consideration for supplementary contracts not involving life contingencies	11,602 14
Dividends left with company to accumulate at interest.....	9,712 18
Gross interest on mortgage loans less \$4,146.41 accrued interest on mortgages acquired in 1917	\$128,063 09
Gross interest on bonds and dividends on stocks, less \$921.66 accrued interest on mortgages ac- quired in 1917	124,364 81
Gross interest on premium notes, policy loans or liens	78,023 15
Gross interest on deposits in trust companies and banks	5,552 69
Gross rent from company's property, including \$18,000 for company's occupancy of its own building	53,137 36
Total gross interest and rents.....	389,141 10
Premiums in suspense.....	49 89
Gross profit on maturity of bonds.....	1,500 00
Gross increase in book value of bonds on account of accrual of discount	1,956 14
Total income	\$2,267,998 87
Ledger Assets December 31, 1916.....	7,689,994 32
Total	\$9,957,993 19

Disbursements

Death claims, plus additions.....	\$572,122 85
Matured endowments, plus additions.....	37,438 70
Net amount paid for losses and matured endowments...	\$609,561 55
Annuities involving life contingencies.....	570 81
Notes and liens voided by lapse, less restorations.....	58,402. 41
Surrender values paid in cash	\$71,284 42
Surrender values applied in liquidation of loans or notes	65,239 59
Surrender values applied to pay renewal pre- miums	10,178 74

Surrender values applied to purchase paid up insurance and annuities	26,774 48	
		173,477 23
Dividends paid to policyholders in cash, or applied in liquidation of loans or notes.....	\$17,572 14	
Dividends applied to pay renewal premiums....	98,389 75	
Dividends applied to purchase paid up additions and annuities	7,910 54	
Dividends left with the company to accumulate at interest	9,712 18	
		133,584 61
Total paid policyholders.....		\$975,596 61
Expense of investigation and settlement of policy claims, including \$3,701.60 for legal expense.....		\$5,677 54
Paid for claims on supplementary contracts.....		4,193 01
Dividends and interest thereon held on deposit, surrendered during the year.....		5,051 89
Commissions to agents on first year's premiums.	\$110,450 65	
Commissions to agents on renewal premiums....	84,118 75	
		194,569 40
Agency supervision	\$125 00	
Branch office expenses, including salaries of cashiers	139,208 00	
		139,333 00
Medical examiners' fees	\$31,576 36	
Inspection of risks.....	3,636 04	
		35,212 40
Salaries and compensation of officers, directors and home office employees		100,426 59
Rent, including \$18,000 for company's occupancy of its own building		31,313 50
Advertising	\$4,149 35	
Printing and stationery.....	12,261 13	
Postage, telegraph, telephone and express.....	6,956 72	
Exchange	228 94	
		23,596 14
Legal expenses		3,178 40
Furniture and fixtures.....		4,143 31
Repairs and expenses (other than taxes) on real estate	\$21,127 06	
Taxes on real estate.....	12,049 36	
		33,176 42
State tax on premiums.....	\$25,647 19	
Insurance taxes, licenses and fees.....	5,465 79	
Federal corporation tax.....	449 78	
		31,562 76
Legislation expense	\$174 93	
Life Insurance Presidents' Association.....	274 25	

Election expenses	50 25	
Traveling expenses not included elsewhere.....	7,936 68	
Miscellaneous office expenses.....	6,681 09	
Payments to Agency and Investment Co.....	16,674 72	
		31,791 92
Gross loss on maturity of bonds.....		19 32
Gross decrease in book value of bonds on account of amortiza- tion		3,753 23
Total disbursements		\$1,622,595 44
Balance		\$8,335,397 75

Ledger Assets

Book value of real estate.....	\$738,644 85	
Mortgage loans on real estate.....	2,712,650 00	
Loans to policyholders.....	1,551,147 69	
Premium notes	58,239 07	
Book value of bonds and stocks.....	\$2,940,819 05	
Less employees' equity in Liberty bonds.....	1,780 00	
		2,939,039 05
Cash in company's office.....	\$10,839 30	
Deposits not on interest.....	74,918 20	
Deposits on interest.....	221,299 40	
		307,056 90
Bills receivable	\$200 00	
Agents' debit balances	23,506 94	
		23,706 94
Suspense account		4,913 25
Total Ledger Assets, as per "Balance".....		\$8,335,397 75

Non-ledger Assets

Interest due and accrued on mortgages.....	\$58,139 89	
Interest accrued on bonds.....	35,546 19	
Interest accrued on loans and premium notes.....	50,684 12	
Interest accrued on bank deposits.....	1,353 63	
Rents accrued on company's property.....	2,087 50	
		\$147,811 33
Market value of real estate over book value.....	123,355 15	
Market value of stocks over book value.....	465 00	
Loans "revived" not on ledger.....	334 78	
Net amount of uncollected and deferred premiums.....	210,692 76	
Total Non-ledger Assets		\$482,659 02
Gross Assets		\$8,818,056 77

Deduct Assets Not Admitted

Agents' debit balances.....	\$23,506 94	
Bills receivable	200 00	
Premium notes, policy loans and other policy assets in excess of net value on individual policies	20,204 57	
Book value of bonds not subject to amortization over market value.....	21,067 05	
Suspense account	4,913 25	
Total		69,891 81
Admitted Assets		\$8,748,164 96

Liabilities, Surplus and Other Funds

Net value of policies in force, on paid-for basis	\$8,013,189 00	
Less net value of risks reinsured.....	8,271 00	
Net reserve	\$8,004,918 00	
Extra reserve for total and permanent disability benefits....	424 20	
Present value of amounts not yet due on supplementary contracts not involving life contingencies.....	32,605 60	
Liability on policies cancelled and not included in net reserve upon which a surrender value may be demanded.....	25,812 98	
Claims for death losses in process of adjustment	\$5,500 00	
Claims for death losses reported, no proofs received	29,677 88	
Reserve for net death losses incurred but unreported	14,454 96	
Matured endowments due and unpaid.....	1,000 00	
Claims for death losses resisted.....	2,500 00	
Total policy claims.....		53,132 84
Dividends left with company to accumulate at interest and accrued interest thereon.....	29,272 92	
Premiums paid in advance.....	9,330 32	
Unearned interest paid in advance.....	19,850 85	
Commissions to agents due or accrued.....	14,524 69	
Salaries, rents, office expenses, bills and accounts due or accrued	11,025 26	
Medical examiners' fees due or accrued.....	2,290 50	
Estimated liability for taxes, based upon the business of the year 1917	31,307 39	
Dividends due policyholders.....	17,114 40	
Dividends declared and apportioned to annual dividend policies and payable to policyholders to and including January, 1918	8,878 36	

Dividends declared on deferred dividend policies and payable to policyholders during the year 1918.....	13,346 29
Deferred dividend fund.....	320,409 92
Credit on account of early policies.....	321 25
Suspense—agents' due bills.....	319 97
Judgments—account Home Office building... \$4,110 47	
account Beeville Bank	6,363 53
	10,474 00
Pending suit account increase assessment.....	2,600 00
Estimated cost of defending pending suits.....	900 00
	\$8,608,859 74
Surplus	139,305 22
Total	\$8,748,164 96

The company's annual statement as of December 31, 1917, shows a surplus of \$161,021.90 and the foregoing financial statement shows a surplus of \$139,305.22. The items contributing to the decrease in surplus and changes made in the statement upon examination are shown in the following statement:

Changes in Surplus

	Annual statement	Examiner's statement	Surplus	
			Increase	Decrease
NON-LEDGER ASSETS				
Accrued interest on loans, liens and notes.....	\$50,658 51	\$50,684 12	\$25 61	.....
Market value of stocks over book value.....		465 00	465 00	.....
Loans revived and not on ledger.....		334 78	334 78	.....
Accrued interest on bonds.....	37,212 86	35,546 19		\$1,666 67
Net uncollected and deferred premiums	211,461 15	210,692 76		768 39
LEDGER ASSETS				
Book value of bonds.....	2,940,819 05	2,939,039 05		1,780 00
ASSETS NOT ADMITTED				
Loans, notes and other policy assets in excess of the net value on individual policies.....	10,472 24	20,204 57		9,732 33
Book value of bonds and stocks over market value.....	20,602 05	21,067 05		465 00
LIABILITIES				
Net reserve.....	8,005,638 00	8,004,918 00	720 00	.....
Dividends left with the company to accumulate at interest and accrued interest thereon.....	28,769 45	29,272 92		503 47
Premiums paid in advance.....	9,318 92	9,330 32		11 40
Unearned interest.....	19,863 40	19,850 85	12 55	.....
Estimated amount payable for taxes..	25,000 00	31,307 39		6,307 39
Liability for agents' due bills.....		319 97		319 97
Estimated cost of defending pending suits.....		900 00		900 00
Pending suit account increased assessment.....		2,600 00		2,600 00
Employees Liberty bond payments....	1,780 00		1,780 00	.....
Total changes.....			\$3,337 94	\$25,054 62
Surplus as per annual statement.....			161,021 90	
Surplus as per examiner's statement.....				139,305 22
			\$164,359 84	\$164,359 84

Real Estate

The company owns two parcels of real estate in Fayetteville, Arkansas, and the home office building in Binghamton, N. Y., the three upper floors of which are occupied by the company. The Arkansas property is carried on the books of the company at \$10,000 and the home office building at \$728,644.85; the appraised value of the former is \$12,000 and of the latter \$850,000. The excess of appraised over book value of the real estate is allowed in the financial statement as a non-ledger asset. The company derives no revenue from the Arkansas property. The home office building gross rentals for the year 1917 were \$53,137.36, which includes \$18,000 for company's occupancy. The expenses for the period were \$32,996.56. The rate of net income on the appraised value is 2.76 per cent per annum. The rate of return in 1915 was 3.10 per cent and in 1916 was 2.94 per cent. On December 31, 1917, the company's real estate constituted 10.23 per cent of its invested assets. The home office building is well rented, a few rooms only being vacant.

Mortgage Loans

Since the last examination, the company has materially increased its investment in mortgage loans, and on December 31, 1917, owned 435 mortgages representing an investment of \$2,712,650 which constituted 32.17 per cent of the invested assets on that date.

Papers in the case of each mortgage were examined. The examiners found ground for criticism as to fire insurance policies, appraisals and description of property; these have been brought to the attention of the company and have been or will be, we are informed, corrected.

Loans and Liens

The amount of this asset on December 31, 1917, was \$1,551,147.69 and constituted 18.4 per cent of the invested assets on that date. All loans and liens were listed and the ledger figure as of December 31, 1917, reconciled with total amount of loans as per examiner's working sheets.

Premium Notes

The notes constituting this asset are:

25 per cent premium loan notes:

These notes were given by policyholders of 20 Payment Special Contract plan of insurance issued by the company, the contract providing for the payment of 75 per cent of the premium in cash and 25 per cent in a loan certificate. Interest at 5 per cent is payable in advance and if not paid when due bears interest as additional principal.

20 per cent premium loan notes:

These notes were given by policyholders of the 15 year returnable accumulation plan of insurance, which provided for payment of 80 per cent of the premium in cash and 20 per cent in a loan certificate bearing interest at 5 per cent payable in advance. If interest is not paid when due, it is added to the principal.

The premium notes amounted to \$58,239.07 on December 31, 1917, and constituted seven-tenths of 1 per cent of the invested assets.

Bonds and Stocks

The bonds and stocks on hand were verified by actual count and those on deposit with this department at Albany were verified by certificate from the Albany office. The bonds are carried in the statement at their amortized value, except the following: \$25,000 Chicago and Eastern Illinois 5's, 1937; \$50,000 Missouri, Kansas and Oklahoma 5's, 1942. The former are allowed at a market value rate of 86 and the latter at 72. The First National Bank stock owned by the company, consisting of 155 shares, is allowed at a value of 173. The excess of the book value of the above bonds over the market value has been deducted as an asset not admitted, and the amount of the market value of stocks in excess of book value allowed as a non-ledger asset. The bonds and stocks constituted 34.86 per cent of the invested assets on December 31, 1917.

Cash

The cash in banks and trust companies at the close of business on December 31, 1917, was verified by certificates from the

depositories and such certificates reconciled with balances as shown by company's books. The cash in office was counted and reconciled back to December 31st. The total cash of the company on December 31, 1917, was 3.64 per cent of the invested assets. The average monthly balance carried in the First National Bank of Binghamton during the year was \$160,161.86. Interest is paid on daily balances in excess of \$50,000 at the rate of 2 per cent per annum. In view of the small interest return, the amount carried in this bank seems to be in excess of the company's needs.

Rate of Return on Principal Assets

The rate of return on the average investment in Policy Loans and Premium Notes, Bonds and Stocks and in Mortgages during the last four years was as follows:

	1914	1915	1916	1917
Policy loans and premium notes..	4.693%	4.979%	5.407%	5.555%
Bonds and stocks	4.321	4.181	4.550	4.420
Mortgages	5.466	5.570	5.640	5.585

Policy Reserve

Applications for policies issued from October 1, 1914, to December 31, 1917, inclusive, were compared with the company's collection registers and the department valuation registers to verify the correctness of the description of the policies in both registers. All policies as shown by the company's collection registers to have been in force on September 30, 1917, were checked to the department valuation registers. All policies terminated or changed from October 1, 1917, to December 31, 1917, inclusive, on department valuation registers, were checked with the actuary's valuation cards or the collection registers to determine whether all data necessary for a correct valuation was entered in the valuation registers.

A list of 376 errors found in checking was given to the company for the purpose of making corrections in the department valuation registers. These changes were made and included in the valuation as of December 31, 1917. In addition, there were nine errors which decreased the December 31, 1917, valuation \$720.

Unredeemed Coupons

In 1904, 1905 and 1906 the company issued 20-year term policies with nineteen 4 per cent coupons attached. The coupons were computed on a basis of \$35 per \$1,000 of insurance, one coupon being payable in cash each year. If the coupon was not used, the contract provided that interest should be computed at 4 per cent compounded yearly. The total amount of unredeemed coupons and interest is included in the policy reserve liability. The policy number and amount of unredeemed coupons with interest for each policy were listed by the company and checked by the examiners.

Reinsurance

Policies issued by other life insurance companies reinsuring risks of this company were examined and checked with Company's Schedule "R." The premiums paid during 1917 were checked with the ledger account.

Death Claims

The claim papers and canceled checks were examined for all claims paid during the period from October 1, 1914, to December 31, 1917. Cards for all terminations by death during the same period were either prepared by examiners from the department valuation registers, or the company's cards used after comparison with valuation registers; the cards contained policy number, amount of insurance and date terminated. All cards for claims which had been paid during the period were eliminated and the balance, representing unpaid claims, set up as a liability.

The docket of the legal department was examined for cases in suit on account of death claims. The cases in suit on December 31, 1917, have since been settled. At present the company has no contested death claims.

The company pays all claims promptly upon completion of papers and makes every effort to expedite the completion of the papers.

Dividends

Section 2 of Article V of the amended charter of the company states:

The Board of Directors shall, within ninety days subsequent to the first day of January in each year, cause an estimate to be made of the profits and true state of the affairs of the Company as near as may be for the preceding year, which estimate and the individual allotment thereof shall be conclusive upon all persons entitled to share in any distribution of surplus which shall be paid or credited under and according to the terms of their several policy contracts.

Before the close of each year, the board of directors, upon recommendation of the actuary, by resolution, authorize the schedule of dividends payable during the following year.

The scale of dividends payable in 1915 was adopted by the board on October 2, 1914; the 1916 scale was adopted by the board on December 2, 1915; the 1917 scale was passed at meeting of October 10, 1916, as to computation, but no formal resolution seems to have been passed. This practice of making the computations, authorizing the dividends to be paid and authorizing the schedule of dividends for the following year before the surplus earnings of the current year have been ascertained, and on which surplus the payment of dividends should depend, does not seem to be in accordance with section of charter quoted above.

There are three factors which enter into the calculation of dividends—in theory the sources from which the surplus returned to policyholders as dividends is derived—viz., excess interest earning, mortality saving and a percentage of the loading. The scale on which dividends payable in 1915 were based follows:

First to fourth year, inclusive, dividend:

Nineteen per cent of the cost of mortality, plus 1.46 per cent excess interest, plus 10 per cent of loading on 1911 premiums.

Fifth and subsequent year's dividend:

Nineteen per cent of the cost of mortality, plus 1.46 per cent excess interest, plus 10 per cent of loading on 1907 premiums.

In the total abstinence class the dividends were the same as above with the exception that this class received 24 per cent of the cost of mortality.

The scale for dividends payable in 1916 and 1917 was the same with the exception of the interest factor, which for the

1916 dividend was 1.42 per cent, and for the 1917 dividends was 1.38 per cent.

The net earnings for the years 1914, 1915 and 1916 from loading, interest and mortality compared with the dividends paid or set aside are as follows:

	Loss from loading	Gains from		Surrenders and lapses	Net gains	Dividend paid or set aside	Dividend paid in excess of net gains
		Interest	Mortality				
1914.....	\$148,530 96	\$97,297 58	\$65,906 52	\$51,751 77	\$66,424 91	\$133,814 93	\$67,390 02
1915.....	160,143 12	102,440 45	120,367 32	49,728 86	112,393 51	150,105 13	37,711 62
1916.....	219,428 89	117,517 83	123,738 72	58,451 87	80,279 53	148,109 75	67,830 22
1917.....	206,338 42	120,042 89	186,625 08	46,386 72	146,716 27	172,391 48	25,675 21
	<u>\$734,441 39</u>	<u>\$437,298 75</u>	<u>\$496,637 64</u>	<u>\$206,319 22</u>	<u>\$405,814 22</u>	<u>\$604,421 29</u>	<u>\$198,607 07</u>

During the past four years, 1914 to 1917, inclusive, the dividends returned to policyholders or set aside for their benefit were \$198,607 in excess of the net insurance gains for the same period.

The various dividend liability items in the financial statement were ascertained by listing on adding machines the total amount of all unpaid dividends and interest for each policy from the dividend cards as of December 31, 1917.

These lists were prepared by the company and test checks were made by the examiners to verify the correct listing. The totals were then compared with the amounts reported in the annual statement for December 31, 1917.

In the item of "Dividends left with the company to accumulate at interest and accrued interest thereon," the company had not included any liability for interest earned on this account during 1917. An estimate was made for this item and \$503.47 added to the company's figures.

Test checks were also made of dividends paid or applied, as posted on the dividend cards, with the dividend record kept by states and the annual dividends payable or provisionally ascertained.

Accounts

An audit of the books of account for the first nine months of 1917 was made, ledger footings verified and a trial balance taken as of December 31, 1917, from which the figures entering into the financial statement accompanying this report were taken.

The main books of account in use are the general ledger and the journal, the latter a combination cash-journal, to which are carried daily totals from the premium cash books.

In the report of the examination made of the company in 1914, the company's system of accounting was gone into in considerable detail, and criticism of the system and suggestions for improving same were made. It was understood at the time that the company would make changes whereby the system would be more up to date. No changes in the system have been made and the books will not admit of a ready audit.

Vouchers:

Vouchers were examined and reports for agency transactions for a period of three months were checked to the premium cash books. The cash book totals were checked to the cash journal for the period January 1 to September 30, 1917. The footings of the premium cash books were tested.

Vouchers for home office disbursements made during one month of the period covered by the examination were examined and checked to the cash journal. The company is under agreement with managers and agents to allow them stipulated sums each month. The sums vary with the different agents and managers and are contingent upon the amount of business produced. In some cases the agreement states that the sum payable will be paid "upon presentation of properly itemized expense vouchers," and in other cases the sum allowed is a flat allowance and no vouchers for the expenditure are required.

General

The policyholders of this company may be divided into three groups, according as their policies were issued while the company was operating under different articles of the Insurance Law, as follows:

1. Assessment policies issued 1887-1898, while the company was operating under Article VI of the insurance law. These policies are valued as one year term contracts.
2. Stipulated premium policies issued 1898-1899 while the company was operating under Article X of the insurance law. These policies are valued by carrying a reserve for one net annual premium for term insurance at the attained age.
3. Full level premium policies issued 1900 and subsequent years, since company was reincorporated under Article II of the insurance law. These policies are valued in accordance with section 84 of the insurance law.

Since December 31, 1914, the insurance in force on both the assessment and stipulated premium plan has materially decreased, being over \$3,117,000 less on December 31, 1917, as the following table shows:

	INSURANCE IN FORCE			
	December 31, 1914	December 31, 1915	December 31, 1916	December 31, 1917
Stipulated premium and assessment business . . .	\$5,822,482	\$4,500,070	\$3,399,570	\$2,704,570
Level premium business..	42,588,244	44,416,868	48,386,589	51,911,648
Total.....	<u>\$48,410,726</u>	<u>\$48,916,938</u>	<u>\$51,786,159</u>	<u>\$54,616,218</u>

At a meeting of the board of directors of the company, held on May 8, 1915, the matter of increase of rates on assessment contracts was brought up and the following resolution passed:

WHEREAS, The Security Mutual Life Association of Binghamton, N. Y., was incorporated in 1886 under Chapter 175 of the Laws of 1893 of the State of New York, and the acts amendatory thereof, as a co-operative or assessment life insurance association, and from that time until May 30th, 1898, carried on and conducted its business under and in accordance with the provisions of that statute; during which period it issued certificates of membership to various persons who still hold them, and under which certificates and said statutes the amount of the assessments or payments to be made by such members can be varied from time to time to conform to the actual death or mortality rate or experience of such association; and

WHEREAS, Owing to the increasing age of the members of said Security Mutual Life Association, the death or mortality rate of said Association has increased to such an extent that the funds of said Association available for the payment of death claims have become exhausted and the amounts now being paid by such members for mortuary purposes are insufficient to meet and pay the death losses under certificates of deceased members of the Association; and

WHEREAS, The Insurance Department of the State of New York has advised this company as follows:

Security Mutual Life Insurance Company, Binghamton, N. Y.

GENTLEMEN:

Inasmuch as the amounts now being paid by your company for mortuary purposes by members of the Security Mutual Life Association on certificates issued while such Association was doing business on the assessment or co-operative plan was insufficient to meet and pay the death losses under such certificates, this department is of the opinion and advises that your Company take immediate

steps to collect from members of such Association whose past contributions have been insufficient to pay their proper share of the Associations' mortality losses, such amounts as will be sufficient to meet and pay the death losses under certificates issued by that Association.

We also request that verified copies of any and all resolutions adopted by your board of directors increasing the rates on such assessment business be filed with this Department.

Respectfully yours,

FRANK HASBROUCK,
Superintendent.

and

WHEREAS, The assessments or premiums now being paid by the members of said Association are based upon the American Experience Table of Mortality; and

WHEREAS, The actual mortality experience of said Association is 40.34% in excess of such table; and

WHEREAS, It is necessary to increase the amounts now being paid by members of said Association for mortuary purposes to conform to the actual mortality experience of said Association; now, therefore, be it

Resolved, That the actual death or mortality rate or experience of said Security Mutual Life Association be substituted as the basis for the advance mortuary payments under such certificates, and that the amounts now being paid by the members of said Association for mortuary purposes be and the same hereby are increased to conform to the actual death or mortality rate of experience of said Association.

Since the assessment policyholders are now paying their share of the mortality cost, the company will no longer be burdened with the excess mortality cost of this class of business which had heretofore existed and which was a drain on the company's earnings from level premium policyholders. There are, however, other causes which are contributing to the steadily decreasing surplus of the company. Dividends to policyholders for some years back have been paid partly out of surplus and not entirely from current earnings of the company.

A summary of the gains and losses for the years 1914, 1915, 1916 and 1917 shows:

	1914	1915	1916	1917	Totals
Total losses.....	\$247,383 81	\$249,996 37	\$241,028 56	\$260,999 79	\$999,408 53
Total gains.....	250,773 09	437,324 23	376,524 94	359,757 73	1,424,379 99
Net gains.....	\$3,389 28	\$187,327 86	\$135,496 38	\$98,757 94	\$424,971 46
Dividends incurred.....	133,814 93	150,105 13	148,109 75	172,391 48	604,421 29
Surplus increased.....		37,222 73			\$37,222 73
Surplus decreased.....	\$130,425 65		\$12,613 37	\$73,633 54	216,672 56
Net decrease in surplus for the years 1914 to 1917 inclusive.....					\$179,449 83

It will be noted that in 1915 the surplus was increased by \$37,222.73, but included in the total gains of that year is \$100,342.46, representing an increase in the appraised value of the company's home office building. In reality, the surplus has decreased \$279,792.29.

The loadings for expenses on premiums in this company average 20 per cent of the gross. The expenses incurred in putting new business on the books and collecting premiums on the renewal business in 1914 were 18.36 per cent of the gross premiums; in 1915 the expenses were 17.90 per cent; in 1916 the expenses were 21.62 per cent, and in 1917 the expenses were 20.84 per cent. The following accounts were taken in computing these ratios: Commissions, Agency Supervision, Branch Office Expenses and Salaries, Medical Examiners' Fees and Inspection Fees, Agency and Investment Company. As it required all the loadings on the premiums to pay these expenses in 1916 and 1917, there was nothing left to pay the home office disbursements on account of insurance expenses.

Agency and Investment Company

The agreement between the Agency and Investment Company and the Security Mutual Life Insurance Company, as amended in 1908, provides that the insurance company shall pay monthly to the Agency and Investment Company a sum sufficient to enable it to pay:

1. The state, county, municipal and other lawful governmental charges and other necessary disbursements and expenditures of said first party, said other necessary disbursements and expenditures not to exceed the sum of \$500 in any calendar year.
2. Dividends at the rate of twelve per cent (12%) per annum on the capital stock of said first party, which said capital stock shall not exceed the present authorized amount, and except as herein stated shall not exceed the present issue of said stock.

The Agency and Investment Company agrees that during the continuance of the contract it will guarantee to the insurance company the receipt of good and acceptable applications for insurance to the amount at least of \$3,500,000 in each year, and in the event of its failure to do so, it will pay to the insurance

company the sum of \$1.50 for each and every \$1,000 of such deficiency for such year.

The company has paid to the Agency and Investment Company during the last four years the following sums: In 1914, \$16,521.98; in 1915, \$16,074.72; in 1916, \$16,074.72; in 1917, \$16,674.72. A clause in the contract provides that payments to the Agency and Investment Company shall not be made "excepting out of the expense funds of said second party." Since 1912 the payments to the Agency and Investment Company have been less than 12 per cent of its capital.

Schedule "Q"

The loadings and assumed mortality gains are computed daily as premiums are paid. In the 1917 annual statement, \$139,208 is charged to branch office expenses and salaries. The greater part of this item is monthly allowances to agents, according to contracts, and continuing during the pleasure of the company. These contracts are submitted and recommended by the agency committee and approved by the board of directors. No part of the allowance referred to above is included in the expenses chargeable to the procurement of new business, as specified in section 97 of the Insurance Law. New contracts are being made with various agents, with the expectation that a more satisfactory allocation and reduction of these disbursements can be made.

A comparative statement for the years 1914, 1915, 1916 and 1917 of the percentage of first year's premiums, margins and expenses is as follows:

	1914	1915	1916	1917
Loadings per cent of premiums.....	24.92	24.61	24.72	24.82
Mortality gains per cent of premiums.....	37.78	38.79	37.37	34.67
Total margins	62.70	63.40	62.09	59.49
Commissions per cent of premiums.....	44.60	45.06	44.28	43.73
Medical and inspection fees per cent of				
premiums	15.32	16.61	14.54	-14.21
Advances to agents.....	.....	.....	.....	.12
Total expenses	59.92	61.67	58.82	58.06
Excess of margins over expenses.....	2.78	1.73	3.27	1.43

Salaries of Officers

The following is a list of the officers of the company, together with their salaries for the year 1917:

President	David S. Dickenson	\$7,375 00	
Vice-president	William G. Phelps		
Vice-president	Albert B. Howe	3,600 00	
Comptroller	Z. Bennett Phelps	4,800 00—	\$5,000 00
Medical Director	R. L. Lounsberry, M. D.	4,800 00—	5,000 00
Superintendent of Agencies	C. H. Jackson	4,800 00—	5,000 00
General Counsel	Harvey D. Hinman	6,000 00	
Attorney	Jay L. Gregory	4,000 00	
Treasurer	Jas. W. Manier	4,000 00	
Secretary	Chas. A. LaDue	3,800 00	
Actuary	F. R. Brunner	2,750 00	

Conclusions

The financial statement submitted as part of this report shows the surplus of the company to be \$139,305.22. The schedule accompanying same shows a decrease in surplus during 1917 of \$73,633.54. The new paid for insurance put on the books for the year ending December 31, 1915, was \$7,464,797; for the year ending December 31, 1916, it was \$9,477,043, and for the year ending December 31, 1917, it was \$8,644,622. While there was a smaller amount of new business put on the books in 1917 than in 1916, it was better and higher premium business, there being over \$600,000 less term insurance in 1917 than in 1916.

The company should take measures to curtail its expenses and keep same within the loadings. The dividends to policyholders are too high and the company should reduce them at least during the period of the war.

The home office organization of the company should be systematized, so that the present lack of co-ordination between the departments may be overcome, thereby eliminating duplication. There is no criticism intended of any one department, but the lack of system in the company as a whole seems important enough to be taken up by a committee of the board of directors.

THE WASHINGTON LIFE INSURANCE COMPANY

NEW YORK

Examined to ascertain status of policies reinsured by the Pittsburgh Life and Trust Company.

Report dated May 28, 1917.

Examiner: A. E. Smith.

On December 31, 1908, when the Washington Life Insurance Company business was reinsured by the Pittsburgh Life and Trust Company, there were in force in the former company some 30,400 policies of insurance. May 1, 1917, there still remained in force of this business some 17,000 policies and \$27,000,000 insurance. The reserve, December 31, 1916, on Washington Life business still in force was some \$13,702,000.

During the forepart of the year 1909 the Pittsburgh Life and Trust Company sent out to the Washington Life policyholders so-called assumption agreements. These agreements were in two parts, the first to be filed with the policy and the second returned to the Pittsburgh Life and Trust Company. This second part addressed to the Pittsburgh Life and Trust Company read: "I have this date received assumption certificates issued by the Pittsburgh Life and Trust Company, under which said company assumes the liabilities under my policy issued by the Washington Life Insurance Company. I hereby assent to said assumption." These agreements provided space for the policyholder to sign and insert the number of his policy.

There were some 8,800-8,900 such agreements signed and returned to the Pittsburgh Life Insurance Company. No exact count or list was made of all the agreements on file covering policies still in force, but assuming that the same rate of termination applied to policies assumed as to those not assumed, there are now in force from 4,900 to 5,900 policies on which such agreements have been signed.

Our work on these agreements covered the following:

We have prepared two main schedules or lists, the first of policies assumed and the second of those not assumed. In each

of these lists we have included the policy number, name of beneficiary, or, if policy was assigned, name of assignee, name of insured and amount of insurance.

1. In listing policies assumed, we have included those cases where—

(a) The policy was payable to a named beneficiary other than insured and the policy contained no right by insured to change beneficiary; and

(b) The policy was assigned to an assignee other than insured.

Cases payable to insured or estate, or cases assigned to insured, were not listed. There were very few such cases on issues prior to 1901. In separating these cases we have followed the attached memorandum prepared by George W. Vail, who was formerly with the Washington Life Insurance Company and now is in the actuarial department of the Pittsburgh Life in charge of the Washington life business.

Issues through 1900 assumed but listed as above amounted to some 3,200 policies for \$4,789,000 insurance.

In addition, we listed 54 cases of issues since 1900 which were assigned, or did not provide the right to change beneficiary. The insurance on these cases amounted to \$102,494.

2. The other main schedule contains a list of policies not assumed. This list also shows policy number, name of beneficiary or assignee, name of insured and amount of insurance. We have also noted those cases marked paid up on the policy registers.

Of policies not assumed there were 8,403 cases listed for some \$13,525,000 insurance, divided as follows:

Issued through 1900, 4,531 policies.....	\$7,195,000
Issued after 1900, 3,872 policies.....	6,330,000
	\$13,525,000

It was claimed by the company that payment of premium to and receipt of premium receipt from the Pittsburgh Life and Trust Company was equivalent to the signing of an assumption agreement by the insured. We therefore noted all cases not assumed and paid up through 1908. No premiums on these cases would have been paid the Pittsburgh Life and Trust Company. There were 2,641 policies for \$2,325,011 insurance so paid up,

divided into issues through 1900, 2,007 policies for \$2,044,507, and issues after 1900, 634 policies for \$280,504 insurance. We then inserted the reserves on these policies. On policies issued through the first four months of a year, we used the 1917 mean reserve, and on policies issued during the last eight months of a year, the 1916 mean reserve. This reserve on the 2,641 paid up policies amounted to \$1,477,570.

3. We have also made special schedules of policies, the checks for premiums on which were payable to the Washington Life Insurance Company. Four of these cases for \$25,000 insurance and carrying \$18,401 reserve received Washington Life premium receipts. In the other cases, Pittsburgh Life receipts were returned to the policyholders and retained by them. These lists were furnished by the company.

4. We have also listed separately twelve cases with reserves on each which did not seem to fall into the two main classifications made.

A summary of the figures mentioned in the foregoing memorandum follows:

	<i>No. of Policies</i>	<i>Insurance</i>
Washington Life policies reinsured, December 31, 1908	30,400	.....
In force May 1, 1917	17,000	.....
Assumption agreements signed (estimated) ..	8,900	.....
Assumption agreements on policies now in force (estimated)	4,900	.....
Policies issued through 1900 without right to change beneficiary, upon which assumption agreements were signed by policyholder only, and now in force.....	3,203	\$4,789,102
Policies issued after 1900 assigned or without right to change beneficiary, upon which assumption agreements were signed by policyholder only	54	102,494
Policies issued through 1900 with no assumption agreement:		
Paid up prior to 1909.....	2,007	2,044,507
Not paid up prior to 1909.....	2,524	5,150,925
Total	4,531	\$7,195,432

Reserve on paid up policies, \$1,314,058.

Policies issued after 1900 not assumed:	No.	Amount
Paid up prior to 1909.....	634	\$280,504
Not paid up prior to 1909.....	3,238	6,049,285
Total	3,872	\$6,329,789

Reserve on paid up policies, \$163,512.

	No.	Amount	Reserve
Washington Life checks and receipts	4	\$25,000	\$18,401
Washington Life checks and P. L. & T. receipts	36	120,390	46,226
Total	40	\$145,390	\$64,627
Special cases	12	26,270	9,241

Grand Summary of Policies Listed

	Number	Amount	Reserve
I. <i>Policies assumed</i> but agreement not signed by beneficiary or assignee — issues to 1901	3,203	\$4,789,102	.....
Policies assumed but agreement not signed by assignee or beneficiary (no right to change) — issued 1901 and subsequent..	54	102,494	.....
II. <i>Policies not assumed:</i>			
Issues to 1901 paid up prior to 1909.....	2,007	2,044,507	\$1,314,058
Issues to 1901 <i>not</i> paid up prior to 1909...	2,524	5,150,925	.....
Total issues to 1901.....	4,531	\$7,195,432	.....
Policies <i>not</i> assumed:			
Issues after 1900 paid up prior to 1909...	634	280,504	163,512
Issues after 1900 <i>not</i> paid up prior to 1909.	3,238	6,049,285	.....
Total issues after 1900.....	3,872	\$6,329,789	.....
III. <i>Special Cases:</i>			
Premiums paid by Washington Life checks and Washington Life receipts given.....	4	\$25,000	18,401
Premiums paid by Washington Life checks but Pittsburgh Life receipts given.....	31	105,570	41,726
Washington Life checks given by mistake — Pittsburgh Life receipts.....	5	14,820	4,500
IV. <i>Special Cases</i> — See schedule.....	12	26,270	9,241
Total listed.....	11,712	\$18,588,477	\$1,551,438

IV. *Schedule of Cases Noted and Reason for Listing Separately:**Insurance Reserve*

123769	D. J. Mackin...	\$3,000	\$2,146	Washington Life not released. See copies of A. A's.
134654	E. M. Kirk	10,000	2,651	
153701	W. B. Bradley...	5,000	1,188	
91028	J. R. Haley	537	389	Beneficiary only, signed.
100986	W. H. Greer	1,000	377	Beneficiary only, signed.
105156	R. Zeph	2,000	927	Assignee only, signed.
104341	G. W. Richeson..	36	21	Assignee only, signed.
153813	T. W. Gennerich.	1,000	156	Receiver appointed April 22, 1908. A. A. signed by insured. February 9, 1909.
4	T. W. Gennerich.	1,000	156	
6/183	W. D. Thompson	1,697	866	Without prejudice if transfer set aside.
67625	D. McDonald...	1,000	364	If made according to law.
12		\$26,270	\$9,241	

PITTSBURGH LIFE AND TRUST COMPANY,
Pittsburgh, Pa.

GENTLEMEN.—I have this day received assumption certificates issued by the Pittsburgh Life and Trust Company, under which said Company assumes the liabilities under my policy issued by The Washington Life Insurance Company. I hereby assent to said assumption.

(Signed) D. J. M. MACKIN.

Date Oct. 29, 1909.

Policy No. 123769.

This consent shall not be deemed for any purpose as a release of the liability of the Washington Life Insurance Company.

PITTSBURGH LIFE AND TRUST COMPANY,
Pittsburgh, Pa.

GENTLEMEN.—I have this day received assumption certificates issued by the Pittsburgh Life and Trust Company, under which said Company assumes the liabilities under my policy issued by The Washington Life Insurance Company. I hereby assent to said assumption, subject to conditions on other side of this receipt.

(Signed) WM. D. THOMPSON.

Date ——— Racine, Wis., Jan. 30, 1909

Policy No. 75410.

Reverse side:

This assent is without prejudice to my rights against the Washington Life Insurance Company to recover my proportion of any assets properly apportionable to said policy which may have been fraudulently or unlawfully converted by said Washington Life Insurance Company, its officers, directors or stockholders, and without prejudice to my rights against said Washington Life Insurance Company in event the transfer to the Pittsburgh Life and Trust Company shall be set aside.

(Signed) WM. D. THOMPSON.

PITTSBURGH LIFE AND TRUST COMPANY,

Pittsburgh, Pa.

GENTLEMEN.—I have this day received assumption certificates issued by the Pittsburgh Life and Trust Company, under which said Company assumes the liabilities under my policy issued by The Washington Life Insurance Company. I hereby assent to said assumption.

(Signed) WM. D. THOMPSON.

Date ——— Racine, Wis., Jan. 30, 1909

Policy No. 67183.

Reverse side:

This assent is without prejudice to my rights against the Washington Life Insurance Company to recover my proportion of any assets properly apportionable to said policy which may have been fraudulently or unlawfully covered by said Washington Life Insurance Company, its officers, directors or stockholders, and without prejudice to my rights against said Washington Life Insurance Company in event the transfer to the Pittsburgh Life and Trust Company shall be set aside.

(Signed) WM. D. THOMPSON.

PITTSBURGH LIFE AND TRUST COMPANY,

Pittsburgh, Pa.

GENTLEMEN.—I have this day received assumption certificates issued by the Pittsburgh Life and Trust Company, under which said Company assumes the liabilities under my policy issued by The Washington Life Insurance Company. I hereby assent to said assumption, if made according to law.

(Signed) DONALD McDONALD.

Date Jan. 27, 1909.

Policy No. 67625.

PITTSBURGH LIFE AND TRUST COMPANY,

Pittsburgh, Pa.

GENTLEMEN.—I have this day received assumption certificates issued by the Pittsburgh Life and Trust Company, under which said Company assumes the liabilities under my policy issued by The Washington Life Insurance Company. I hereby assent to said assumption, but I do not release any claim against the Washington Life Insurance Company or its assets.

(Signed) W. B. BRADLEY.

Date July 8, 1909.

Policy No. 153701.

PITTSBURGH LIFE AND TRUST COMPANY,

Pittsburgh, Pa.

GENTLEMEN.—I have this day received assumption certificates issued by the Pittsburgh Life and Trust Company, under which said Company assumes the liabilities under my policy issued by The Washington Life Insurance Company. I hereby assent to said assumption without in any way or manner releasing the Washington Life Insurance Company.

(Signed) DAVID M. KNOX.

Date Pittsburgh, Pa., May 22, 1909.

Policy No. 134654.

Witness H. E. BURKLE.

Casualty, Fidelity, Surety and Title Insurance
Companies

AMERICAN SURETY COMPANY OF NEW YORK

Examined to ascertain condition September 29 and December 31, 1917.

Report dated May 25, 1918.

Examiner: Charles E. Woodman.

HISTORY AND ORGANIZATION

The American Surety Company was incorporated on April 14, 1884, in conformity with several acts of the Legislature of the State of New York, as more fully set forth in the report of examination dated May 4, 1915, and on file with the Insurance Department.

The company's charter has been amended since the last examination and at present it is authorized to transact business under subdivisions 2, 3, 4, 5, 6, 7, 8, 9, 10 and 11 of section 70 of the insurance law. The company, however, had only undertaken the underwriting of fidelity and surety risks prior to January 1, 1918 but since that date has also issued policies covering burglary and theft risks.

The original capital of the company was \$500,000. Since organization the original capital has at various times been increased under authority granted through amendments to its charter and at the present time is \$5,000,000, representing one hundred thousand shares of the par value of fifty dollars each.

TERRITORY AND AGENCY ORGANIZATION

On December 31, 1917 the company was qualified and transacted business in every State of the Union, the District of Columbia, Alaska, the Canal Zone, Hawaii and Porto Rico.

Its agency organization consisted of over 13,900 agents and attorneys; the agents being compensated on a commission basis, and the attorneys by either a commission or fee based on the amounts of premiums on the risk. All but one of these agents and attorneys report to and are under the supervision of branch offices, of which the company maintains forty located in the principal cities. The branch offices are divided into an Eastern, a Middle and a Pacific Coast district, under the direct supervision

of three salaried special agents. The Superintendent and Assistant Superintendent of Agencies supervise the entire agency organization and report to the First Vice-President.

Agents and attorneys are authorized to execute bonds for amounts within certain prescribed limits. Applications for bonds in excess of these amounts are referred to the branch office managers or, if beyond their authority, to the underwriting committee at the home office. Through these restrictions the company is able to exercise a careful supervision of its underwriting.

FINANCIAL STATEMENT

The following statement shows the assets and liabilities December 31, 1917.

<i>Ledger Assets</i>	December 31, 1917
Book value of real estate.....	\$3,166,047 91
Collateral loans	725,000 00
Book value of bonds	3,290,714 29
Book value of stocks	2,139,877 22
Cash in company's office	2,910 00
Deposits in trust companies and banks.....	579,388 66
Cash on deposit in bank at agencies.....	105,876 57
Uncollected premiums on risks effective within three months..	484,048 60
Uncollected premiums on risks effective more than three months prior	258,765 94
Funds held by New York Excise Reinsurance Association....	73,794 59
Reinsurance recoverable on paid losses.....	2,443 35
Due from Campana Mexicana de Garantias.....	22,088 04
Due from Amsuco Securities Co.....	16,000 00
Salvage recoverable, miscellaneous	56,416 28
Salvage recoverable, real estate	53,496 89
Balance due on Liberty bonds purchased for employees.....	22,108 00
Total ledger assets.....	\$10,998,976 34

Non-Ledger Assets

Interest accrued on collateral loans.....	\$8,593 73
Interest accrued on bonds.....	40,127 07
Interest accrued on bank balances	5,783 39
Rents due and accrued	4,381 65
Appraised value of real estate over book value.....	248,952 09
Funds held by New York State Excise Reinsurance Association	239 91
Reinsurance recoverable on paid losses	193 92
Estimated value of salvage recoverable — miscellaneous — in excess of book value.....	25,911 95

Estimated value of salvage recoverable — real estate — in excess of book value	4,000 00
Cash in suspended banks	64,217 67
Cash salvage received since date of statement on losses paid prior to that date.....	197,210 60
Gross assets	\$11,598,588 32

Deduct Assets Not Admitted

Book value of bonds and stocks over department valuations..	\$199,641 51
Exchange, errors, etc, on deposits in bank.....	356 48
Expenses paid by agents out of agency bank accounts.....	55,157 50
Uncollected premiums on risks effective more than three months prior	258,765 94
Market value of special deposits over corresponding liabilities	148,673 99
Total assets not admitted	\$662,595 42
Admitted assets	<u>\$10,935,992 90</u>

Liabilities

Unpaid claims, including adjustment expenses:	
Fidelity	\$529,299 60
Surety	487,633 13
Unearned premiums	2,658,355 47
Commissions on uncollected premiums effective within three months	76,842 71
Salaries and expenses due or accrued.....	43,610 40
Federal income tax	19,722 23
State taxes on premiums	73,397 25
Return premiums	20,586 95
Reinsurance	12,771 47
Advance premiums	78,915 42
Trust funds temporarily held awaiting distribution.....	717 12
Total liabilities, except capital.....	\$4,001,851 75
Capital paid up in cash	5,000,000 00
Surplus over all liabilities	1,934,141 15
Totals	<u>\$10,935,992 90</u>

Surplus

The total of all liabilities except the capital of \$5,000,000 is found to have been \$4,033,587.66 on September 29th and \$4,001,851.75 on December 31, 1917. The surplus over all

liabilities including capital was \$1,754,916.24 on September 29th and \$1,934,141.15 on December 31, 1917.

Limitation of Risk

The company was found to have limited its liability on any one risk or hazard to ten per cent of its capital and surplus. On all bonds issued for a larger amount, the liability had been reduced to within this limitation by coinsurance, reinsurance, collateral or joint control.

Collateral

A classification of the collateral held at the home office and at branch office and agencies on September 29, 1917, on risks in force is as follows:

	Held at Home Office	Held at Branch Offices and Agencies
Cash		\$1,274 58
Cash in bank		81,290 84
Certificates of deposit	\$229,179 94	550,305 87
Certified and cashier checks		9,303 81
Savings bank books	47,727 77	85,535 09
Letters of credit	456,068 16	
Bonds and stocks, par value	596,200 00	1,462,668 71
Real estate, mortgages and trust deeds	98,000 00	316,669 83
27 trust deeds no amounts given		
Chattel mortgages		48,502 00
Assignments of various equities		22,214 05
Life insurance policies, face value	3,500 00	69,571 98
Promissory notes	17,250 00	60,467 98
	\$1,447,925 87	\$2,707,804 74

Underwriting and Investment Exhibit

The following underwriting and investment exhibit is based on the reports of examination of the company as of September 30, 1914 and December 31, 1917 and the audited statements for the years 1914, 1915 and 1916:

	October 1 to December 31, 1914	1915	1916	1917	Total
Gain from underwriting.....	—\$12,951 48	\$402,848 73	\$601,862 92	\$652,274 32	\$1,644,034 49
Net income from investments.....	82,567 20	244,306 00	250,149 41	264,098 17	841,120 78
Gain from sale or change in valuation of investments.....	216,161 62	200,027 25	—46,910 92	—151,941 75	217,336 20
Total gain from underwriting and investments.....	\$285,777 34	\$847,181 98	\$805,101 41	\$764,430 74	\$2,702,491 47
Change in surplus on account of special deposits in excess of liabilities.....	—279,127 58	37,511 77	50,892 60	42,049 22	—148,673 99
Special reserve carried in 1916 statement but not consid- ered as liability in this report for 1917.....	.....	.....	—250,000 00	250,000 00	.....
Total gain.....	\$6,649 76	\$884,693 75	\$605,994 01	\$1,056,479 96	\$2,553,817 48
Deduct dividends declared to stockholders.....	125,000 00	250,000 00	300,000 00	400,000 00	1,075,000 00
Net increase in surplus.....	—\$118,350 24	\$634,693 75	\$305,994 01	\$656,479 96	\$1,478,817 48
Surplus over all liabilities:					
September 30, 1914.....	\$455,323 67				
December 31, 1914.....	336,973 43				
December 31, 1915.....	971,667 18				
December 31, 1916.....	1,277,661 19				
December 31, 1917.....	1,934,141 15				
Increase in surplus each year.....	—\$118,350 24	\$634,693 75	\$305,994 01	\$656,479 96	\$1,478,817 48

Conclusion

The preceding statement shows the American Surety Company to be in sound financial condition and earning a substantial profit on its business. Great care is exercised in its underwriting and investments. The reserves for losses and claims, unearned premiums and other liabilities are adequate.

This report shows a surplus over all liabilities, including the capital of \$5,000,000, of \$1,754,916.24 on September 29th and \$1,934,141.15 on December 31, 1917. These amounts exceed the surplus shown in the statements filed with this department for the above dates by \$561,672.68 and \$1,244,841.60 respectively.

EUROPEAN ACCIDENT INSURANCE COMPANY,
LIMITED

LONDON, ENGLAND

Examined to ascertain condition September 30, 1917.

Report dated November 30, 1917.

Examiner: John E. Watson.

FINANCIAL STATEMENT

A statement of the assets and liabilities as of September 30, 1917 is shown as follows:

Ledger assets, December 31, 1916..... \$2,158,732 30

Ledger Assets

Book value of bonds.....	\$2,007,252 58
Deposit in trust company on interest.....	369,389 29
Cash in company's office.....	50 00

Premiums in course of collection:

	On policies after July 1, 1917	On policies prior to July 1, 1917
Accident.	\$58,041 25	.....
Health.	21,546 75	.....
Liability.	17,744 85	\$2,287 10
Workmen's compensation	6,224 49	802 23
Fidelity.	16,146 46	.....
Surety.	42,876 62	.....

Steam boiler	3,704 65	.....	
Burglary.	73,342 04	.....	
Fly wheel	4,379 71	.....	
Total.	\$244,006 82	\$3,089 33	247,096 15
Total ledger assets			\$2,623,788 02

Non-Ledger Assets

Interest accrued on bonds.....	\$29,931 01		
Salvage recovered since October 1, 1917, on losses paid prior to that date.....	1,037 40		
Salvage recoverable on The LaSalle Street Trust & Savings Bank depository bond.....	6,250 00		
			37,218 41
			\$2,661,006 43

Deduct Assets Not Admitted

Premiums in course of collection prior to July 1, 1917.	\$3,089 33		
Book value of bonds over market value.....	94,144 69		
			97,234 02
Total admitted assets			\$2,563,772 41

Liabilities

Unpaid losses including expenses:

Accident.	\$198,095 45		
Health.	54,281 98		
Fidelity.	16,577 99		
Surety.	29,353 11		
Burglary.	78,011 46		
Total.			\$376,319 99
Special reserve for unpaid liability and workmen's compen- sation losses			334,378 66
Unearned premiums			756,160 64
Commission on policies on and after July 1, 1917:			
Accident.	\$22,090 40		
Health.	8,063 64		
Liability.	5,890 50		
Fidelity.	6,088 65		
Surety.	14,716 84		
Steam boiler	1,643 40		
Burglary.	28,908 23		
Fly wheel	2,407 99		
			89,809 65

Expenses, bills and accounts due or accrued.....	3,258 59
Taxes on premiums (estimated).....	3,000 00
Federal income tax (estimated).....	2,500 00
Total liabilities	\$1,565,427 53
Deposit capital	\$250,000 00
Surplus over all liabilities.....	748,344 88
Surplus as regards policyholders.....	998,344 88
\$2,563,772 41	

Income and Disbursements

Test checks were made from the bordereaux through the accounts current, to the ledger of premiums, return premiums, commissions and losses and all items checked were found correctly entered.

Interest income was checked with the cash book from the investment register. All items were properly accounted for. The disbursement for commission includes a percentage of the premium paid to the ceding company as a contribution towards the expense of inspections, investigations, taxes, and other management expenses.

Bonds:

Ledger Assets

The following schedule shows the location, book and market values of the bonds owned by the company.

On deposit with	Book Value	Market Value
Insurance Department, State of New York.....	\$264,856 96	\$253,510 00
Insurance Department, State of Ohio.....	102,420 00	98,000 00
Insurance Department, State of Pennsylvania...	466,488 65	436,530 00
Bankers Trust Co., N. Y.—Trustee.....	1,133,661 97	1,087,467 89
Bankers Trust Co.—Bankers.....	39,825 00	37,600 00
\$2,007,252 58		\$1,913,107 89

The bonds on deposit with the Insurance Departments of New York, Ohio and Pennsylvania are held as security for all the policyholders in the United States, and ownership was established by certificates received from the proper state officials.

The bonds on deposit in the Bankers Trust Company were counted and examined in the vaults of the company at No. 16 Wall Street, New York.

All the bonds were valued by the Audit Bureau of this department as of September 30, 1917, the value so determined being \$94,144.69 less than the book value, which amount has been deducted as an "asset not admitted."

Cash in Office:

A petty cash fund of \$50.00 is maintained in the office out of which are paid small expenses, the total of which is repaid to the fund at the end of each month by check on the bank account.

Cash on Deposit in Trust Company:

The cash on deposit was found to be in four accounts as follows:

Bankers Trust Co.—Trustee—principal.....	\$298,383 60
Bankers Trust Co.—Trustee—income.....	45,029 23
Bankers Trust Co.—trading.....	25,501 71
Bankers Trust Co.—special deposit.....	474 75
	\$369,389 29

The balances in these accounts as shown by the company's books were verified by certificates from the Bankers Trust Company which were reconciled with the company's records.

Premiums in Course of Collection:

The gross amount of premiums in course of collection as reported by the company in the quarterly statement of September 30, 1917, was found to be correct. The amount of those prior to July 1, 1917, has been increased by \$802.23 for certain premiums of June included in the September account current of one of the ceding companies. The total of premiums prior to July 1, 1917, amounting to \$3,089.33 has been disallowed as an asset.

Non-Ledger Assets

Interest Due and Accrued on Bonds:

The interest due and accrued as allowed in this report is \$236.34 more than that reported by the company. The increase is due to an error in the company's computation.

Salvage on Paid Losses:

The amount allowed as a non-ledger asset is the total of such amounts as have actually been received in cash subsequent to September 30, 1917.

Salvage Recoverable on The La Salle Street Trust and Savings Bank:

In 1911 the company paid \$25,000 to one of its ceding companies on a loss under a depository bond covering deposit in The La Salle Street Trust and Savings Bank of Chicago. Of this amount \$6,250 has since been recovered and this department is now advised by the receiver of The La Salle Street Trust and Savings Bank that an additional dividend of \$6,250 will probably be declared. This amount has been allowed as an asset in this report.

*Liabilities**Unpaid Losses:*

In ascertaining the liability for unpaid losses except liability and compensation, the accounts current containing information regarding adjusted losses were checked and the amount of same as reported by the company was found to include \$632.50 of adjusted liability losses, which should have been omitted as the reserve for those losses appear as a special item on the report. For losses in process of adjustment, the preliminary and final loss advices were checked, both prior and subsequent to September 30, 1917.

In its report of September 30, 1917, the company reserved \$26,528.52 to cover subsequent losses, the total reserve being as follows:

Adjusted losses	\$80,244 75
In process of adjustment	265,285 12
Contingent for unreported losses	26,528 52
Total losses reported by company (except liability and compensation).....	\$372,058 39

The result of the examination of unpaid losses is as follows:

Adjusted losses	\$79,612 25
In process of adjustment	296,707 74
Total losses carried in the report (except liability and compensation).....	\$376,319 99

CHANGES IN SURPLUS

The changes made in the surplus as shown by the company in its statement of September 30, 1917, and as per this report, are shown as follows:

	Company	Examiner	Gain to Surplus	Loss to Surplus
Interest due and accrued.	\$29,694 67	\$29,931 01	\$236 34	.....
Salvage recoverable .....	.....	7,287 40	7,287 40	.....
Assets not admitted:				
1. Book value of bonds over market value...	102,821 08	94,144 69	8,676 39	.....
2. Premiums overdue....	2,287 10	3,089 33	.....	\$802 23
Outstanding losses.....	372,058 39	376,319 99	.....	4,261 60
Reserve for liability and compensation losses...	306,688 56	334,378 66	.....	27,690 10
Unearned premiums	751,947 28	756,160 64	.....	4,213 36
Unpaid bills	100 00	3,258 59	.....	3,158 59
Taxes.....	7,500 00	5,500 00	2,000 00	.....
Contingent reserve	70,270 63	.....	70,270 63	.....
			\$88,470 76	\$40,125 88
Net gain to surplus				\$48,344 88
Examiners' surplus to policyholders, September 30, 1917.....				\$998,344 88
Company surplus to policyholders, September 30, 1917.....				950,000 00
Gain.				\$48,344 88

DIVISION OF BUSINESS

The following table shows the percentage which each line of business written bears to the total business written by the company for the nine months ending September 30, 1917:

	Percentage
Accident.	32.74
Health.	11.02
Liability.	8.13
Workmen's compensation	2.10
Fidelity.	5.50

	Percentage
Surety.	9.45
Steam boiler	1.40
Burglary and theft	28.97
Fly wheel	.69
	100.00

GAIN AND LOSS EXHIBIT

The result of the company's transactions for the nine months ending September 30, 1917, are shown in the following condensed exhibit:

GAINS TO SURPLUS:

Underwriting.	\$59,672 44	
Interest.	69,469 62	
Home office remittances	99,506 94	
		\$228,649 00

LOSSES TO SURPLUS:

Loss from change between book and market values of bonds	\$106,154 23	
Investment expenses	1,776 15	
Adjustment of book values of bonds.	156 25	
		108,086 63

Net gains to surplus.		\$120,562 37
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Surplus, September 30, 1917.	\$998,344 88
Surplus, December 31, 1916.	877,782 51
	\$120,562 37

HISTORICAL

The United States Branch of the European Accident Insurance Company, Limited, of London, England, having made a deposit with the Superintendent of Insurance of securities of a par value of \$250,000.00 was authorized on September 29, 1911, to transact business under subdivisions two, three, five, six and seven of section seventy of the Insurance Law. The corporation of Fester and Folsom at 123 William street, New York, is the United States manager. The company, in addition to New York, is authorized in the following states—Colorado, Illinois, Indiana, Iowa, Louisiana, Massachusetts, Nebraska, Ohio, Pennsylvania and West Virginia.

It transacts only reinsurance business, the larger portion of which is received through treaties with various companies.

RE-INSURANCE TREATIES

The company has re-insurance treaties with twenty-two companies divided as follows:

New York State companies.....	6
Companies of other states of the United States.....	11
United States Branch of British companies.....	4
United States Branch of a Swiss company.....	1
Total.	<u>22</u>

The treaties are all of the same general form and are specific as to character and limit of business to be ceded, commissions and expenses. Under the terms of the treaties, differences are to be settled by arbitration rather than by legal proceedings.

AUTOMOBILE PROPERTY DAMAGE

During the last three months the company has, through a misunderstanding, been receiving from one of its ceding companies a small amount of automobile property damage premiums, which class of business it is not authorized to transact. The attention of the company has been called to this and action will be taken at once to have the certificate of authority amended to include this class of business.

CONCLUSION

The report of the last examination of the company by this department on September 30, 1914, shows a surplus to policyholders of \$742,897.04. In this report the surplus to policyholders is \$998,344.88.

The increase in the surplus to policyholders in the three year period is \$255,447.84, of which \$92,680.55 was contributions by the home office, the balance of \$162,617.46 being from earnings, after providing adequate reserves, and after a depreciation of \$93,357.73 in the market value of bonds owned by the company.

The examiner finds that the United States branch of this company is conducting its business in exact compliance with the

requirements of the Insurance Law; that its accounts are well kept and in such a condition that a review of same can readily be made.

GENERAL ACCIDENT FIRE AND LIFE ASSURANCE CORPORATION, LIMITED

PERTH, SCOTLAND

Examined to ascertain condition June 30, 1917.

Report dated October 30, 1917.

Examiner: Charles E. Heath.

FINANCIAL STATEMENT

A statement of the assets and liabilities as of June 30, 1917, is shown as follows:

Ledger Assets

Book value of real estate.....	\$181,068 52
Mortgage loans on real estate.....	12,000 00
Book value of bonds	1,813,780 27
Book value of stocks	588,577 89
Cash in company's office	36,779 00
Cash in bank	100,733 04
Premiums in course of collection:	
On policies effective prior to April 1, 1917.....	113,074 98
On policies effective on or after April 1, 1917....	1,089,510 08
Reinsurance on paid losses	2,029 63
United States internal revenue	402 01
Agents' balances and sundry accounts.....	167,317 46

Ledger assets	\$4,105,272 88
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Non-Ledger Assets

Interest accrued on mortgage loan	\$390 61
Interest accrued on bonds	22,794 98
	23,185 59

Gross assets	\$4,128,458 47
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Deduct Assets Not Admitted

Premiums in course of collection effective prior to April 1, 1917	\$113,074 98
--	--------------

Book value over market value:	
Bonds.	144,875 27
Stocks.	136,753 89
Real estate	1,068 52
Market value of special deposit over correspond- ing liabilities	9,241 36
Agents' balances and sundry accounts	167,317 46
	572,331 48
Admitted assets	\$3,556,126 99

Liabilities

Unpaid losses, including expenses:	
Accident and health	\$184,759 10
Liability.	426,092 00
Workmen's compensation	448,798 37
Burglary and theft.	9,299 85
Auto and teams property damage.	58,833 25
Total unpaid losses	\$1,127,782 57
Unearned premiums	1,686,216 84
Commissions on policies effective on or after April 1, 1917.	245,726 87
Salaries, rents, expenses, bills, accounts, fees, etc., due or accrued.	22,193 81
Estimate of state taxes due or accrued.	55,510 02
Due and to become due for borrowed money.	270,000 00
Interest payable	1,072 08
Reinsurance.	17,945 89
Advance premiums	22,025 50
Total liabilities, except statutory deposit.	\$3,448,473 58
Statutory deposit	\$250,000 00
Impairment.	142,346 59
Surplus to policyholders.	107,653 41
Total.	\$3,556,126 99

Remittances from Home Office

Since June 30, 1917, the United States branch has received the following remittances directly from the home office or from the home office through its Canadian branch:

<i>Date Received.</i>	<i>Description.</i>	<i>Amount.</i>
Nov. 9, 1917	Cash.....	\$20,000 00
Nov. 17, 1917	Cash.....	190,150 00
Nov. 20, 1917	Anglo-French 5 per cent bonds (par \$10,000) market.....	9,100 00
Nov. 20, 1917	Kentucky Traction 5 per cent bonds (par \$10,000) market.....	8,700 00
Nov. 20, 1917	Alaska Steamship Co. stock, (par \$6,375) market.....	5,737 50
Total cash and market value of securities.....		<u>\$233,687 50</u>

In addition, the United States branch has been advised by cable that English war loan bonds with a par value of £20,000 and a market value of approximately \$90,000, have been dispatched.

These remittances in total have a value of \$323,687.50, which, if applied to the impairment of June 30, 1917, would leave a surplus of \$181,340.91 over the statutory deposit of \$250,000 and make a total surplus to policyholders of \$431,340.91.

Reserve for Losses:

The liability for unpaid losses covering accident, health, burglary and theft, and auto and teams property damage, has been determined by estimating the probable loss on each individual claim and by using, so far as possible, actual cash settlements on such claims as have been paid since June 30, 1917.

A comparison of the estimates of the corporation and those of the department as of June 30, 1917, is shown as follows:

	Corporation	Department
Accident and health	\$139,665 00	\$184,759 10
Burglary and theft.....	7,944 00	9,299 85
Auto and teams property damage.....	57,795 00	58,833 25
	<u>\$205,404 00</u>	<u>\$252,892 20</u>
Increase by department	\$47,488 20	

It will be noted from the comparative estimates that \$45,094.10 of the increase shown above is on accident and health losses. This increase is not due to the failure of the corporation to place adequate reserves on individual claims, but is mainly attributable to

the fact that the corporation took credit for unauthorized reinsurance and made no provision for losses incurred prior to July 1, 1917, and reported subsequent thereto.

Reserve for Liability and Workmen's Compensation Losses:

During the course of this examination, we have made a computation of the reserve for unpaid liability and workmen's compensation losses in accordance with the methods prescribed in section 86 of the insurance law, as amended in 1917.

On account of the apparent inadequacy of the compensation reserve computed according to legal formula, as indicated by a comparison with the estimated reserves of the corporation, we have carried as liabilities in the foregoing financial statement reserves for unpaid workmen's compensation losses based upon estimated individual claims. The compensation reserve on this basis amounts to \$448,798.37, an increase of \$285,505.37 over that produced by the formula method.

The formula method prescribed in section 86, as amended in 1917, has been used in computing the reserve for outstanding liability claims and the liability loss reserve so produced amounts to \$426,092.

The corporation computed the reserves for liability and workmen's compensation losses according to the method prescribed in section 86 of the insurance law, as amended in 1917, and the amount reported for liability was \$576,993.04 and for workmen's compensation, \$196,513.87.

The computation of this schedule has been revised and several changes have been made, due to an increase in the amount of unearned premiums as figured by the examiners; the adding of loss of service suits; an increase in the estimates for unpaid compensation claims; a reduction of premiums written by deducting cancellations which had been omitted from the home office records; and corrections of other errors in the corporation's computation.

All premium and loss statistics have been adjusted so as to divide the experience into years ending June 30th.

The computation of the loss reserves in accordance with the method outlined in the law is as follows:

LIABILITY LOSS RESERVE

Years of issue ending June 30	60% of earned premiums	Losses & loss expenses paid	Remainder	Liability Suits	Reserve
1913.....	\$1,125,710	\$1,610,850	—\$485,140	46 @ \$850, \$39,100	\$ 39,100
1914.....	835,055	1,092,912	—257,857	56 @ \$850, 47,600	47,600
1915.....	657,591	709,729	—52,138	111 @ \$750, 83,250	83,250
1916.....	683,199	649,156	39,043		39,043
1917.....	514,681	324,582	190,099		190,099
Totals.....	\$3,821,236	\$4,387,229	—\$565,993		\$399,092
Reserve for 2 suits pending on policies issued prior to June 30, 1907 at \$1,500 each...					3,000
Reserve for 24 suits pending on policies issued July 1, 1907 to June 30, 1912 at \$1,000 each.....					24,000
Total reserve for unpaid liability losses.....					<u>\$426,092</u>

WORKMEN'S COMPENSATION LOSS RESERVE

Years of issue ending June 30	60% of earned premiums	Losses & loss expenses paid	Re- mainder	Unpaid Compensation claims	Reserve
1913.....	\$164,328	\$167,067	—\$2,739	\$30,836	\$30,836
1914.....	355,133	365,427	—10,294	39,007	39,007
1915.....	338,459	392,817	—54,358	55,086	55,086
1916.....	324,430	369,322	—44,892	142,115	.....
1917.....	247,052	208,718	38,334	181,724	38,334
Totals.....	\$1,429,402	\$1,503,351	\$—73,949	\$448,798	
Total reserve for unpaid workmen's compensation losses.....					<u>\$163,293</u>

CHANGES IN CORPORATION'S FINANCIAL STATEMENT

As a result of this examination, an impairment has been created amounting to \$142,346.59. The various changes in asset and liability items occasioning the impairment are shown as follows:

Assets	Increase in Surplus	Decrease in Surplus
Cash in office	\$1,930 66	.....
Cash in bank .....	.....	\$3,640 85
Premiums in course of collection.....	.....	15,994 90
Accrued interest	12 50	.....
Overdue premiums .....	.....	15,723 08
Special deposit	219 44	.....
Book over market value:		
(a) Bonds. ....	.....	4,386 25
(b) Stocks.	60 50	.....
Liabilities:		
Reserve for losses:		
(a) Accident and health .....	.....	45,094 10
(b) Burglary and theft .....	.....	1,355 85
(c) Auto and teams property damage.....	.....	1,038 25
(d) Liability.	150,901 04	.....
(e) Workmen's compensation .....	.....	252,284 50
Unearned premiums .....	.....	172,002 90

Assets	Increase in Surplus	Decrease in Surplus
Commissions.	532 85	.....
Unpaid bills . . . . .	.....	12,193 81
Unpaid taxes	2,744 44	.....
Interest payable . . . . .	.....	1,072 08
Advance premiums . . . . .	.....	17,025 50
Reinsurance. . . . .	.....	17,945 89
	\$156,401 43	\$559,757 96
Net reduction as result of this examination.	403,356 53	
	\$559,757 96	

Recapitulation

Surplus over statutory deposit as reported by		
Corporation June 30, 1917	\$261,009 94	
Statutory deposits	250,000 00	
Surplus as regards policyholders reported by corporation.		\$511,009 94
Net reduction as result of this examination		403,356 53
Surplus as regards policyholders as shown by examination		\$107,653 41

AGENCY ORGANIZATION

The corporation operates in thirty-six states and the District of Columbia through a system of branch offices and general agents.

The states in which the corporation does not transact business are as follows: Arizona, Arkansas, Idaho, Iowa, Montana, Mississippi, Nevada, New Mexico, North Dakota, Oklahoma, South Dakota and Wyoming. The branch offices of the corporation are located in Boston, Philadelphia, Pittsburgh, Atlanta, New York and San Francisco.

Those in charge of branch offices are on a salary basis. The general agents of the corporation, all of whom are on a commission basis, report directly to the head office for the corporation in the United States, located at Philadelphia, Pa.

All general agents' contracts are made with the Philadelphia office and provide for the maximum commissions paid by the corporation. Out of these are paid the lower commissions applicable to local agents and brokers.

DIVISION OF BUSINESS WRITTEN

The following table will show the percentage which each line of business written bears to the total business written by the corporation during the eighteen months' period ending June 30, 1917. A comparison is also shown of the ratios computed at the time of the department's last examination, covering a twelve months' period ending December 31, 1915:

Line of Business	Ratio 12 months ending December 31, 1915	Ratio 18 months ending June 30, 1917
Accident.	19.97	21.49
Health.	19.17	14.19
Liability.	36.96	28.21
Workmen's Compensation	15.18	23.80
Burglary and theft	2.12	1.68
Property damage and collision.	6.52	10.60
Workmen's Collective	.08	.03

LIABILITY BUSINESS

The following is a comparative table showing a subdivision of the corporation's liability business, and the ratio each liability line bears to the total liability business written during annual periods ending June 30, 1916, and June 30, 1917:

Liability Line	Net Premiums 12 months ending June 30, 1916	Ratio	Net Premiums 12 months ending June 30, 1917	Ratio
Auto.	\$657,150 49	51.97	\$1,031,021 85	62.90
Employers.	199,995 69	15.82	134,494 54	8.21
Public.	184,309 87	14.58	220,544 83	13.46
Elevator.	73,216 29	5.79	78,752 67	4.81
Teams.	86,004 74	6.80	87,953 66	5.36
Owners' indemnity	8,263 30	.65	6,116 79	.37
Contractors' supplement- ary.	2,333 94	.19	1,825 26	.11
Physicians.	12,254 07	.97	13,151 15	.80
Garage.	30,719 13	2.41	49,467 51	3.02
Theatre.	10,299 95	.82	15,750 06	.96
	<u>\$1,264,547 47</u>	<u>100.</u>	<u>\$1,639,078 32</u>	<u>100.</u>

The following exhibits show the corporation's liability and workmen's compensation experience by years of issue:

LIABILITY

Calendar Year	Earned premiums	Losses and expenses paid	Ratio to earned premiums	Unpaid losses and expenses	Total losses incurred	Ratio of incurred losses to earned premiums
1907.....	\$397,775	\$260,400	65.46	\$4,001	\$264,401	66.47
1908.....	582,440	381,133	65.44	3,100	384,233	65.97
1909.....	948,452	622,660	65.38	750	623,410	65.53
1910.....	1,086,484	776,293	71.45	8,896	785,189	72.27
1911.....	1,034,771	769,447	74.36	2,725	772,172	74.62
1912.....	2,040,150	1,723,750	84.49	25,455	1,749,205	85.74
1913.....	1,712,217	1,501,033	87.67	64,697	1,565,730	91.45
1914.....	1,071,251	686,333	64.07	65,630	751,963	70.20
1915.....	1,120,620	742,376	66.25	144,952	887,328	79.19
1916.....	1,170,886	563,645	48.14	315,821	879,466	75.11
1917 (6 months)....	273,685	31,196	11.40	94,488	125,684	45.92
Totals.....	<u>\$11,438,731</u>	<u>\$8,058,266</u>	<u>70.45</u>	<u>\$730,515</u>	<u>\$8,788,781</u>	<u>76.83</u>

WORKMEN'S COMPENSATION

Year ending June 30	Earned premiums	Losses and expenses paid	Ratio to earned premiums	Unpaid losses and expenses	Total losses incurred	Ratio of incurred losses to earned premiums
1913.....	\$273,881	\$167,067	61.00	\$30,866	\$197,933	72.26
1914.....	591,888	365,427	61.74	39,007	404,434	68.33
1915.....	564,098	392,817	69.64	55,086	447,903	79.40
1916.....	540,716	369,322	68.30	142,115	511,437	94.59
1917.....	411,753	208,718	50.69	181,724	390,442	94.82
Totals.....	<u>\$2,382,336</u>	<u>\$1,503,351</u>	<u>63.10</u>	<u>\$448,798</u>	<u>\$1,952,149</u>	<u>81.94</u>

The following exhibit shows the ratio of losses incurred to earned premiums on lines of business written other than liability and workmen's compensation.

This exhibit covers the eighteen months' period subsequent to December 31, 1915, the date of this department's last examination.

Line	Earned Premiums	Losses Incurred	Ratio
Accident and health	\$1,731,233 93	\$894,778 45	51.68
Burglary and theft	88,479 76	41,484 54	46.89
Auto and teams property damage..	393,741 39	259,882 00	66.00
Workmen's collective	1,878 28	1,213 81	64.62

CLAIM SETTLEMENTS

The policy of the corporation, in so far as the rights of its policyholders are affected, has received careful consideration in the course of this examination. In all the departments of the corporation, claims that indicate clearly the liability of the corporation are paid promptly for the full amount provided for by the provisions of the contract. All cases involving questions of fact and interpretations of contract are compromised for the purpose of avoiding litigation.

CONCLUSION

The financial statement heretofore set forth shows the \$250,000 deposit capital impaired to the extent of \$142,346.59 on June 30, 1917. This impairment has since been made good by remittances of \$323,687.50, and the United States branch of this corporation is now in possession of sufficient funds to provide a substantial surplus over and above all its liabilities to its policyholders. In accounting for the impairment, we find that it is primarily due to the material increase in the reserves set aside for outstanding losses occasioned by using individual estimates on workmen's compensation claims, instead of using the formula method, which, prior to the 1917 amendment of section 86 of the insurance law, was the only basis upon which the financial statement of a company could be reported. Other factors having a contributory bearing upon the financial condition of the corporation are the market situation and the large increase in the volume of automobile business written during the quarterly period immediately preceding the date as of which this examination was made. The effect of the market situation is shown by the excess of book value over market value of securities amounting to \$281,629.16. Of this amount, \$64,410 represents the depreciation in market value of the corporation's securities since December 31, 1916. We have shown in this report an increase in the unearned premium reserve of \$172,002.90, due to the pro rata method of computation instead of the fifty per cent method which companies usually adopt for annual statement purposes. The placing of an unusually large volume of business upon the corporation's books just prior to the date of examination, and the application of semi-monthly averages in determining the unearned portion of such business, caused a sharp increase in the unearned premium or reinsurance reserve. The corporation should, therefore, make a considerable gain from this source, as the newly written business approaches expiry.

GENERAL INDEMNITY CORPORATION OF AMERICA

ROCHESTER, N. Y.

*Examined to ascertain condition September 30, 1917.**Report dated December 3, 1917.**Examiner: Charles E. Heath.**History*

The General Indemnity Corporation of America was organized and incorporated September 12, 1914. On September 16, 1914 it was examined for organization and commenced the transaction of business October 15, 1914 with a paid in capital of \$200,000. The capital stock consisting of 2,000 shares of the par value of \$100 each, was subscribed for at \$150 per share, thereby creating a paid in surplus of \$100,000. On September 21, 1914, a further contribution to surplus was made by the stockholders of \$5,000, this contribution being at the rate of two and one-half per cent of the capital stock. The corporation is authorized to transact within this State the kinds of insurance specified in subdivision 5 of section 70 of the Insurance Law. At the present time it is licensed to transact business in the following States: Illinois, Indiana, Minnesota, New Jersey, New York, Pennsylvania, Rhode Island, Tennessee, Texas, Washington and Wisconsin.

FINANCIAL STATEMENT

A statement of the assets and liabilities September 30, 1917, is shown as follows:

Ledger Assets

Book value of bonds.....	\$385,944 41
Book value of stocks.....	29,775 00
Cash in company's office.....	12 68
Cash in bank.....	9,605 40
Premiums in course of collection on policies effective on or after July 1, 1917.....	215 77

Ledger assets \$425,553 26

Non-Ledger Assets

Interest accrued on bonds.....	\$5,236 58	
Claim for refund of overpayment of federal corporation tax	130 26	
		5,366 84
Gross assets		\$430,920 10

Deduct Assets Not Admitted

Book value over market value:		
Bonds	\$2,084 41	
Stocks	1,275 00	
		3,359 41
Admitted assets		\$427,560 69

Liabilities

Unearned premiums	\$14,207 51	
Estimate of state taxes due or accrued.....	174 56	
Total liabilities, except capital.....		\$14,382 07
Capital stock paid up in cash.....	\$200,000 00	
Surplus over all liabilities.....	213,178 62	
Surplus to policyholders.....		413,178 62
Total liabilities		\$427,560 69

Certificate of Insurance

While the corporation is permitted under its charter to write "insurance against burglary, theft or forgery, or one or more of said hazards," it is writing at the present time only one form of policy covering theft by check raising. This policy is issued in conjunction with the sale of check protection devices, manufactured by the Todd Protectograph Company of Rochester, New York. The policy is sold at a premium of \$2.50, and indemnifies the assured for a period of two years, against all direct loss, not exceeding in the aggregate the sum of \$1,000 which the assured may actually suffer on account of bank checks fraudulently raised or increased drawn upon Protod paper and protected with a check writer or protectograph device. The scope of the policy has recently been extended by a rider, designed to cover two additional hazards. While the present policy protects the assured and his

banker against loss by the raising of his checks, the rider, without additional cost to the assured, covers actual losses suffered by the assured (and the bank upon which his checks are drawn) on account of bank checks drawn in ink upon serially numbered specially protected check forms, (a) in which the name of the payee has been fraudulently changed or altered after signature and issuance; or (b) upon which the signature of the assured has been forged, if such check shall be upon a serially numbered registered Protod form which was never in the possession of or under the control of the assured.

Contract Between the General Indemnity Corporation of America and the Todd Protectograph Company

On July 2, 1917, this corporation entered into an agreement with the Todd Protectograph Company of Rochester, N. Y., under the terms of which the Todd Protectograph Company agrees to guarantee and indemnify the General Indemnity Corporation of America against all losses which may be sustained under its policies.

The Todd Protectograph Company, which acts as the corporation's agent or representative, and through the medium of which the corporation's policies reach the public, is to be charged with the premiums for the policies issued, and from time to time an adjustment of their account is to be made, whereby the Todd Protectograph Company, either by way of rebate or commissions, is to be refunded the difference between the net premiums and the total overhead expenses of the corporation..

It is apparent, by the terms of the agreement, that an underwriting profit cannot be made on business written subsequent to July 2, 1917. However, a decreasing volume of business would have the effect of increasing surplus, and conversely, an increasing volume of business would decrease surplus, due entirely to the requirements of the unearned premium reserve.

Financial History

The first financial statement submitted to this department by the corporation was as of December 31, 1914. This statement showed a surplus of \$96,807.92, the paid in surplus of \$105,000 being depleted by the sum of \$8,192.08, which, since the cor-

poration's earnings during the first three months of operations, were practically nil, represented substantially the entire expense of organization. Its surplus as of December 31, 1915, was reported to be \$126,232.14, showing a gain during the course of the year of \$29,424.22. Its surplus as of December 31, 1916, was reported to be \$185,227.21, showing a gain for the year of \$58,995.07. The gain for the three years during which the corporation has been transacting business amounts to \$108,178.62, as shown by the underwriting and investment exhibit heretofore set forth. Of this sum \$64,198.31 represents an underwriting profit and \$43,980.31 the total gains from investments. The average rate of income from interest and dividends upon securities owned, is approximately 4.40 per cent. The corporation's securities have been carefully selected and have shown but slight depreciation notwithstanding the present unfavorable market situation. The corporation has issued a total of 45,307 of its theft by check raising policies, of which 2,083 have been cancelled, and for which it has received \$113,267.50. The policies issued during the last three months of 1914 and the first nine months of 1915 have run to maturity without loss or claim of loss, and thus far no claim of loss has been made under the remaining policies outstanding. During 1916 there was an appreciable reduction in the number of policies issued. When the Todd Protectograph Company first began furnishing policies to its customers, a policy and 250 Protod checks were furnished gratis to each purchaser of a checkwriting device covered by the policy. The practice of furnishing Protod checks without charge has been discontinued, the policy now being furnished to each purchaser of a checkwriting machine covered by the policy and Protod checks.

Ownership of Capital Stock

The entire capital stock of the corporation, consisting of 2,000 shares par value \$100 each is owned by George W. Todd, and Libanus M. Todd, both of Rochester, N. Y.

Officers

The officers of the corporation, all of whom serve without compensation, are as follows: Hiram R. Wood, President; W. Roy McCanne, Vice-President; George W. Todd, Treasurer; Ralph M. Barstow, Secretary.

GLOBE INDEMNITY COMPANY

NEW YORK CITY

*Examined to ascertain condition December 31, 1917.**Report dated July 2, 1918.**Examiner: Charles E. Heath.**History*

The Globe Indemnity Company is a joint stock corporation organized and incorporated June 1, 1911, pursuant to the Insurance Law of the State of New York. On September 22, 1911, it was examined for organization and licensed to transact business September 30, 1911, with a paid in capital of \$500,000. In November, 1911, the capital stock was increased to \$750,000, its present outstanding capital consisting of seventy-five hundred shares of a par value of one hundred (\$100.) dollars each.

The entire capital stock was subscribed for at \$175 per share, thereby creating a paid in surplus of \$562,500. During 1912, \$484,645 additional surplus was paid in.

Of the total outstanding capital stock, 57 shares are owned by directors of the company, and 7,430 shares by the Liverpool and London and Globe Insurance Company, Limited, of Liverpool, England. The company is authorized under its amended charter filed September 7, 1915, to transact within this State the business specified in subdivisions 2, 3, 4, 5, 6, 7, 8 and 9 of section 70 of the Insurance Law.

FINANCIAL STATEMENT

A statement of the assets and liabilities December 31, 1917, is shown as follows:

Ledger Assets

Book value of bonds.....	\$4, 427, 307 86
Book value of stocks.....	697, 646 50
Cash in bank	642, 713 50
Premiums in course of collection:	
· On policies effective prior to October 1, 1917	130, 759 26
· On policies effective on or after October 1, 1917	897, 094 52
Agents' balances and sundry accounts.....	5, 638 75

Workmen's compensation reinsurance.....	133,282 20
New York Excise Fund	23,672 54
Equity in Ryanogue farms (received as salvage)	20,000 00
Reinsurance recoverable on paid losses.....	93,222 88
Liberty Loan bonds — employees' account....	15,843 42

Total ledger assets \$7,087,181 43

Non-Ledger Assets

Interest accrued on bonds.....	\$64,351 23
War tax stamps refunded.....	1,380 98
Salvage	14,162 67

79,894 88

Gross assets \$7,167,076 31

Deduct Assets Not Admitted

Premiums in course of collection effective prior to October 1, 1917.....	\$130,759 26
Market value of special deposits, in excess of corresponding liabilities	107,842 62
Book value over market value:	
Bonds	121,977 86
Stocks	49,706 50
Agents' balances and sundry accounts.....	5,638 75

415,924 99

Admitted assets \$6,751,151 32

Liabilities

Unpaid losses, including expenses:

Accident	\$55,620 86
Health	31,450 37
Fidelity	64,174 25
Surety	338,995 64
Plate glass	10,888 32
Steam boiler	4,448 05
Burglary and theft	16,673 63
Fly wheel	2,500 00
Auto and teams property damage.....	60,643 85
Workmen's collective	54 00

Total \$585,448 97

Special reserve for unpaid liability and workmen's compensation losses 1,678,611 17

Total unpaid losses \$2,264,060 14

Unearned premiums	2, 188, 837 05
Commissions on policies effective on or after October 1, 1917..	199, 146 52
Salaries, rents, expenses, bills, accounts, fees, etc., due or accrued	27, 472 15
Estimate of taxes due or accrued.....	102, 021 17
Return premiums	10, 064 54
Reinsurance (net)	21, 520 90
Total liabilities, except capital	\$4, 813, 122 47
Capital stock paid up in cash.....	\$750, 000 00
Surplus over all liabilities.....	1, 188, 028 85
Surplus as regards policyholders.....	1, 938, 028 85
Total	\$6, 751, 151 32

Division of Business Written

The following table will show the percentage which each line of business written bears to the total business written by the company during the twelve months' period ending December 31, 1917.

A comparison is also shown of the ratios computed at the time of the department's last examination, covering a twelve months' period ending December 31, 1914.

<i>Line of Business</i>	<i>Ratio 12 months ending December 31, 1914</i>	<i>Ratio 12 months ending December 31, 1917</i>
Accident.....	5.13	4.21
Health.....	2.03	2.20
Liability.....	30.22	28.14
Workmen's Compensation.....	31.48	32.07
Fidelity.....	3.08	3.21
Surety.....	11.11	14.00
Plate glass.....	3.50	3.52
Steam boiler.....	1.12	1.05
Burglary and theft.....	5.13	4.49
Fly wheel.....	0.16	0.04
Auto and teams property damage.....	6.96	7.02
Workmen's collective.....	0.08	0.05
	100.00	100.00

Liability Business

The following is a comparative table showing a subdivision of the company's liability business and the ratio each liability line

bears to the total liability business written during annual periods ending December 31, 1914, and December 31, 1917.

<i>Liability Line</i>	<i>Net Premiums 12 months ending December 31, 1914</i>	<i>Ratio</i>	<i>Net Premiums 12 months ending December 31, 1917</i>	<i>Ratio</i>
Auto.....	\$533,754 67	48.99	\$1,002,273 51	69.51
Employers.....	197,401 38	18.12	17,314 55	1.20
Public.....	74,645 74	6.85	100,493 70	6.97
Teams.....	60,465 28	5.55	44,689 72	3.10
Elevator.....	100,332 47	9.21	124,918 14	8.66
General.....	110,509 13	10.15	142,108 26	9.86
Contingent.....	12,304 40	1.13	9,409 32	.65
Physicians.....	—170 52	.....	.....	.....
Druggist.....	—19 64	.....	.....	.....
Golf.....	236 60	.....	670 58	.05
	<u>\$1,089,459 51</u>	<u>100.00</u>	<u>\$1,441,877 78</u>	<u>100.00</u>

The following statement shows the underwriting and investment experience of the company from the date of organization to date. Such statement shows the financial history of the company and the factors resulting in its present surplus of \$1,188,028.85.

Surplus paid in since organization..... \$1,047,145 05

Underwriting

Income earned\$20,103,097 05
 Losses and expenses..... 20,444,650 80

Loss from underwriting..... \$341,553 75

Investments

Income earned \$1,004,767 25
 Expenses 324,487 08

Gain from investments \$680,280 17

Net gain from underwriting and investments..... 338,726 42

Total gains \$1,385,871 47

Decrease in surplus:

Special deposits \$107,842 62

Dividends to stockholders..... 90,000 00

Total 197,842 62

Surplus December 31, 1917..... \$1,188,028 85

The following condensed gain and loss exhibit covers the underwriting and investments for the years, 1915, 1916 and 1917:

Surplus as determined by examiners December 31, 1914..... \$604,842 70

Underwriting

Income earned	\$12,933,505 69	
Losses and expenses.....	12,718,470 44	
Gain from underwriting.....		\$215,035 25

Investments

Income earned	\$573,083 39	
Expenses	123,952 42	
Gain from investments		449,130 97

Total gains from underwriting and investments ..		664,166 22
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Miscellaneous Exhibit

Dividends to stockholders.....	\$90,000 00	
Gain from special deposits....	9,019 93	
		80,980 07

Net gain in surplus since December 31, 1914.....	583,186 15
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Surplus December 31, 1917.....	\$1,188,028 85
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The following exhibit shows the ratio of losses incurred to earned premiums on lines of business written other than liability and workmen's compensation.

This exhibit covers the three year period subsequent to December 31, 1914, the date of this department's last examination.

<i>Line</i>	<i>Earned Premiums</i>	<i>Losses Incurred</i>	<i>Ratio</i>
Accident and health.....	\$872,010 27	\$499,166 17	57.2
Fidelity	415,807 93	143,440 35	34.5
Surety ..	1,519,156 12	542,006 10	35.6
Plate glass	431,557 20	230,617 49	33.4
Steam boiler	192,030 13	30,456 07	15.8
Burglary and theft.....	585,773 37	236,808 41	40.4
Auto and teams property damage....	884,182 18	527,317 51	59.7
Fly wheel	20,435 92	2,930 55	14.3
Workmen's collective	5,656 16	3,365 05	59.5

The following exhibit shows the ratios reflecting the company's liability and workmen's compensation experience, as determined by the formula method and on the basis of the company's estimated reserve for unpaid losses:

FORMULA METHOD

<i>Line</i>	<i>Earned Premiums</i>	<i>Losses Incurred</i>	<i>Ratio</i>
Liability	\$6, 940, 422 58	\$4, 510, 257 78	64. 98
Workmen's compensation	5, 957, 049 43	3, 721, 001 95	62. 46

ESTIMATED RESERVES FOR UNPAID LOSSES

<i>Line</i>	<i>Earned Premiums</i>	<i>Losses Incurred</i>	<i>Ratio</i>
Liability	\$6, 940, 422 58	\$4, 079, 925 92	58.78
Workmen's compensation	5, 957, 049 43	3, 928, 804 64	65.95

Agency Organization

The company operates in thirty-two States through a system of branch offices and general agents.

The principal branch offices are located in San Francisco, Philadelphia and New Orleans. All of these offices are on a salary basis and handle the territory immediately surrounding them. Local agents in such territory report their business through these offices.

The general agents of the company report directly to the home office. The contracts of the general agents, all of which are made directly with the home office, provide for the maximum commissions on all lines paid by the company. Out of these are paid the lower commissions applicable to local agents and brokers. The general agents receive no compensation outside the maximum commissions. A few agents, however, receive specific payments for special services rendered in claim matters, particularly compensation, where the amount of business does not warrant the establishment of a regular local claim department. In the territory where the company sends a special agent, the commissions are arranged so that the salary cost, plus traveling expenses and all expenses incurred in the support of such special agent, shall

not exceed the maximum commission allowed general agents. This is done in order to keep within the acquisition cost allowed by the department.

Financial Survey

The company has shown material growth since the department's examination as of December 31, 1914. Its admitted assets have increased during this period from \$3,845,626.98 to \$6,751,151.32; its liabilities, exclusive of capital which has remained constant, from \$2,490,784.28 to \$4,813,122.47 and its surplus from \$604,842.70 to \$1,188,028.85. The significance of these figures is that while the business of the company has increased, its liabilities have borne practically a constant ratio to the admitted assets and likewise the surplus to the liabilities. The growth of the company, therefore, has not impaired its strength or caused a diminution in the protection to its policyholders afforded by the reserve funds, surplus and capital stock.

Other factors indicative of a healthy growth are noted by the various exhibits set forth in this report, showing the company's underwriting and investment gains since December 31, 1914. Up to that time, a loss in underwriting had been sustained amounting to \$556,589. While the company has lost \$341,553.75 from underwriting since its organization, during the last three years there has been a gain of \$215,035.25 and a profit from investments of \$449,130.97.

By the exclusion of dividends and the addition of a slight gain from special deposits to the total gains from underwriting and investments, the company has added to its surplus \$583,186.15 since the department's examination three years ago.

Conclusion

This report shows the company to be in sound financial condition, with a paid in capital of \$750,000, a paid in surplus of \$1,047,145.05 and an earned surplus of \$140,883.80, exclusive of special deposits of \$107,842.62.

Its history is one of uninterrupted success, its affairs are efficiently conducted, and its statements to the department are prepared with substantial accuracy.

This examination indicates that the reserves which are based

upon mathematical computations are correctly maintained and that the company aims to carry sufficient reserves in all of its departments where estimates are based upon judgment.

In its dealings with policyholders and claimants, the company has fulfilled the obligations of its contracts in a spirit of fairness.

THE GUARANTEE COMPANY OF NORTH AMERICA— UNITED STATES BRANCH

MONTREAL, CANADA

Examined to ascertain condition September 30, 1917.

Reported dated December 18, 1917.

Examiner: John E. Watson.

Ledger Assets

Book value of real estate			\$2,650 00
Book value of bonds and stocks			716,892 10
Cash in branch offices	\$6,238 69		
Deposits in banks and trust companies:			
On interest	\$163,375 05		
Not on interest	12,676 22	176,051 27	
			182,289 96

Premiums in course of collection:

	<i>On policies on and after July 1, 1917</i>	<i>On policies prior to July 1, 1917</i>	
Fidelity	\$14,348 63	\$1,473 37	
Surety	14,842 45	1,132 37	
	\$29,191 08	\$2,605 74	31,796 82
Agents' sundry balances			735 67
Cash in transit			2,154 36
Due from United States Guarantee on account of excise funds..			23,052 61
Total ledger assets			\$959,571 52

Non-Ledger Assets

Interest accrued on bonds	\$2,299 58	
Interest accrued on bank deposits	998 59	
Market value of bonds and stocks over book value	17,197 90	
		20,496 07
Gross assets		\$980,067 59

Deduct Assets Not Admitted

Premiums in course of collection prior to July 1st	\$2,605 74	
Agents' sundry balances	735 67	
Market value of special deposits over cor- responding liabilities	13,065 21	
		16,406 62
		<u>\$963,660 97</u>

Liabilities

Unpaid losses and claims, including expenses:		
Fidelity	\$7,012 83	
Surety	13,784 00	
Total		20,796 83
Unearned premiums (pro rata).....		104,814 38
Commissions		6,374 08
Salaries, bills and accounts due or accrued.....		3,029 74
Taxes due or accrued on premiums (estimated)		3,000 00
Real estate taxes.....		273 84
Federal income tax (estimated).....		900 00
Return premiums		1,589 29
Total liabilities except capital.....		\$140,778 16
Deposit capital	\$200,000 00	
Surplus over all liabilities.....	622,882 81	
Surplus as regards policyholders.....		822,882 81
Total		<u>\$963,660 97</u>

UNITED STATES BRANCH

The United States Branch of the Guarantee Company of North America was established in 1881, a deposit of securities of a par value of \$200,000 having previously been made. The company is authorized to transact business in the States of

Illinois	Michigan	New York
Indiana	Minnesota	Pennsylvania
Iowa	Missouri	Rhode Island
Kentucky	New Jersey	Vermont
Massachusetts		Virginia

Fidelity and surety business only is transacted. All business is reported direct to the Head Office. Agents collect and deposit funds of the company in local banks. Such funds are subject

only to the checks of the Head Office. The United States Trustees are the Bankers Trust Company in New York and the Girard Trust Company of Philadelphia, Pa.

MAIN OFFICE IN CANADA (CANADIAN BUSINESS)

Ledger Assets

Book value of real estate.....		\$340,000 00
Book value of bonds and stocks.....		773,546 00
Cash:		
In bank on interest.....	\$32,510 90	
In bank not on interest.....	17,809 50	
In office	662 88	
Total.		50,983 28
Premiums in course of collection:		

	<i>Policies on and after July 1, 1917</i>	<i>Policies prior to July 1, 1917</i>	
Fidelity	\$5,634 10	\$1,473 65	
Surety	2,761 38	1 20	
	\$8,395 48	\$1,474 85	9,870 33
Furniture and fixtures			4,871 50
Total ledger assets.....			\$1,179,271 11

Non-Ledger Assets

Interest due and accrued:		
On bonds	\$5,045 64	
On bank deposits	262 50	
Rents due, paid subsequent to September 30th..	1,936 73	
		7,244 87
Total		\$1,186,515 98

Deduct Assets Not Admitted

Premiums in course of collection:		
On policies prior to July 1, 1917.....	\$1,474 85	
Book value of bonds and stocks over market value	19,779 00	
Furniture and fixtures.....	4,871 50	
Total		26,125 35
Total admitted assets.....		\$1,160,390 63

Liabilities

Unpaid losses and claims	\$17,325 00
Unearned premiums	34,501 04
Commissions	1,371 91
Taxes on premiums (estimated)	600 00
Taxes on real estate	5,944 92
Dominion war tax	241 60
Unpaid bills and expenses	943 25
Return premiums	37 65
Total liabilities except capital	\$60,965 37
Capital stock	\$304,600 00
Surplus	794,825 26
Surplus as regards policyholders	1,099,425 26
Total	\$1,160,390 63

Historical

The Guarantee Company of North America began business in 1872 under a charter granted by the government of the Dominion of Canada in 1851. The original authorized capital was £125,000, which was in 1881, increased to \$5,000,000, its present authorized capital.

The company was incorporated as the Canada Guarantee Company, the name being changed in 1881 to the present one.

The company transacts fidelity and surety business only and is authorized in all of the provinces of Canada except New Brunswick and Prince Edward Island.

Officers

The officers of the company are:

President	H. E. Rawlings.
Vice-President	William McMaster.
Secretary and Treasurer	Richard B. Scott.
Assistant Treasurer	William S. Chadwick.

Directors

The directors are:

H. E. Rawlings	Montreal.
Sir Vincent Meredith, Bart.	Montreal.
William McMaster	Montreal.
E. F. Hebden	Montreal.

James B. Forgan	Chicago, Illinois.
Hon. E. C. Smith	St. Albans, Vermont.
Phillip Stockton	Boston, Mass.
John MacDonald	Toronto.
Sir Augustus Nanton	Winnipeg, Manitoba.
T. DeWitt Cuyler	Philadelphia, Pa.

COMBINED FINANCIAL STATEMENT

The combined financial statement of the United States Branch and the main office in Canada is as follows:

<i>Ledger Assets</i>	
Book value of real estate	\$342,650 00
Book value of bonds and stocks	1,490,438 10
Cash in bank on interest	\$195,885 95
Cash in bank not on interest	30,485 72
Cash in office	662 88
Cash in branch offices	6,238 69
	233,273 24

Premiums in course of collection:

	<i>On policies on and after July 1, 1917</i>	<i>Policies prior to July 1, 1917</i>	
Fidelity	\$19,982 73	\$2,947 02	
Surety	17,603 83	1,133 57	
	\$37,586 56	\$4,080 59	41,667 15
Agents' sundry balances			735 67
Cash in transit			2,154 36
Furniture and fixtures			4,871 50
Due from United States Guarantee Company on account of excise funds			23,052 61
Total ledger assets			\$2,138,842 63

<i>Non-Ledger Assets</i>	
Interest accrued on bonds	\$7,345 22
Interest accrued on bank deposits	1,261 09
Rents due — paid subsequent to September 30th	1,936 73
	10,543 04
Gross assets	\$2,149,385 67

Deduct Assets Not Admitted

Premiums in course of collection on policies prior to July 1, 1917	\$4,080 59
Agents' sundry balances	735 67
Furniture and fixtures	4,871 50

Book value of securities over market value....	2,581 10	
Market value of special deposits over corresponding liabilities	13,065 21	
		<u>25,334 07</u>
Total admitted assets		<u>\$2,124,051 60</u>

Liabilities

Unpaid losses and claims.....		\$38,121 83
Unearned premiums		139,315 42
Unpaid commissions		7,745 99
Unpaid bills and expenses		3,872 99
Taxes on real estate.....		6,218 76
Taxes on premiums (estimated)		3,600 00
Federal tax (estimated)		900 00
Dominion war tax		241 60
Return premiums		<u>1,626 94</u>
Total liabilities except capital		\$201,743 53
Deposit capital in United States.....	\$200,000 00	
Capital stock in Canada	304,600 00	
Surplus	<u>1,417,708 07</u>	
Surplus to policyholders.....		<u>1,922,308 07</u>
		<u>\$2,124,051 60</u>

Conclusion

The result of this examination is an increase of surplus to policyholders of the United States branch of \$13,921.52 over that shown by the company in its statement of September 30, 1917.

The company's policy is careful underwriting, fair treatment of policyholders and prompt payment of adjusted claims.

The records are well kept and every assistance was extended to the examiners by the officers and staff.

LONDON AND LANCASHIRE GUARANTEE AND ACCIDENT COMPANY OF CANADA—UNITED STATES BRANCH

TORONTO, CANADA

Examined on application for release of a portion of securities deposited in this Department.

Report dated June 24, 1918.

Examiner: C. A. Wheeler.

MERCHANTS' MUTUAL AUTOMOBILE LIABILITY INSURANCE COMPANY

BUFFALO, N. Y.

Examined on organization.

Report dated February 27, 1918.

Examiner: J. Frank Tucker.

MERCHANTS' MUTUAL AUTOMOBILE LIABILITY INSURANCE COMPANY

BUFFALO, N. Y.

Examined to ascertain condition June 15, 1918.

Report dated July 2, 1918.

Examiner: J. Frank Tucker.

This examination was made solely for the purpose of ascertaining the amount of business written by the company, cancelled and in force, and the amount of premiums collected thereon since it received a certificate of authority on March 5, 1918.

The following is a statement of cash transactions of the company from March 5, 1918, to June 15, 1918, inclusive:

<i>Income</i>	
Total premiums received in cash.....	\$9,903 17
<i>Disbursements</i>	
Losses paid	268 47
Reinsurance	250 00
Taxes	693 47
Total disbursements	1,211 94
Cash balance June 15, 1918.....	\$8,691 23

The foregoing cash statement is made as of Saturday, June 15th. On Monday and Tuesday, June 17th and 18th, the cash collections amounted to over \$1,500. The greatest difficulty with which this

class of companies has to contend seems to be the collection, within a reasonable length of time, of cash in proportion to premiums outstanding.

This company was licensed on March 5, 1918. The records show that on June 5, 1918, three months from the date of the certificate of authority, there were 1,429 policies in force, the number of cars insured thereunder being 1,514.

The following exhibits show the number of policies issued, the number of cars insured, the amount of premiums written and the cancellation thereof during the months of March, April, May and the first half of June, 1918.

EXHIBIT OF PREMIUMS

<i>Month</i>	<i>Written</i>	<i>Cancelled</i>	<i>In force June 15, 1918</i>
March.....	\$35,363 37	\$14,519 23	\$20,844 14
April.....	30,487 93	8,596 90	21,891 03
May.....	24,956 64	2,597 63	22,359 01
June 1st to 15th.....	38,781 59	1,034 25	37,747 34
Totals.....	<u>\$129,589 53</u>	<u>\$26,748 01</u>	<u>\$102,841 32</u>

EXHIBIT OF CARS AND POLICIES

	<i>Written</i>		<i>Cancelled</i>		<i>In force June 15, 1918</i>	
	<i>Policies</i>	<i>Cars</i>	<i>Policies</i>	<i>Cars</i>	<i>Policies</i>	<i>Cars</i>
March.....	657	689	256	256	401	433
April.....	457	487	126	129	331	358
May.....	333	351	36	38	297	313
June 1st to 15th.....	521	552	16	16	505	536
	<u>1,968</u>	<u>2,079</u>	<u>434</u>	<u>439</u>	<u>1,534</u>	<u>1,640</u>

Claims

Thirty-two claims have been filed, fourteen involving personal liability, fifteen property damage, one nature of accident not given and two not covered under the terms of the policy.

As far as can be estimated by the papers on file, the accidents, with two exceptions, were more or less of a trivial nature. The two exceptions are cases of boys run over and killed. Owing to the nature of the accidents and what appears to be the fact that

no blame attaches to the driver in either case, the manager expressed the opinion that in one of the cases there would be no claim whatsoever and that the other one could be settled for a nominal amount.

Manager's Contract

On July 26, 1917, the company entered into an agreement with J. Rogers Young, of Buffalo, which provides that the latter is to act as manager of the company for a period of five years. Said manager is to receive a commission of 30 per cent of the premium income of the company from which he agrees to pay all expenses except taxes, expenses incurred in the investigation, adjustment and settlement of claims, losses, premiums for reinsurances, directors' fees and their traveling expenses.

On July 30, 1917, J. Rogers Young assigned his contract to the Merchants Agency Company, Inc., a corporation organized under the laws of the State of New York.

No commissions have as yet been paid under this contract.

Officers

The present officers of the company are as follows: Urban F. Jehle, president; M. S. Tremaine, vice-president; J. R. Young, vice-president and manager; G. H. H. Hills, treasurer; Owen B. Augspurger, secretary and counsel.

NATIONAL AUTOMOBILE MUTUAL CASUALTY COMPANY

NEW YORK CITY

Examined on organization.

Report dated December 7, 1917.

Examiner: Clarence J. Norton.

NATIONAL SURETY COMPANY

NEW YORK CITY

*Examined to ascertain condition December 30, 1916.**Report dated August 8, 1917.**Examiner: Charles E. Woodman.*

HISTORY

The National Surety Company was incorporated February 24, 1897, under chapter 690, Acts of 1892 of the State of New York, with an authorized capital of \$500,000, representing 5,000 shares of the par value of \$100 each. Authority has been granted the company at various times since its incorporation to amend its charter and increase its capital to the present amount thereof, \$4,000,000, as fully set forth in reports now on file with the Insurance Department of New York. The original capital stock was subscribed and paid for at \$200 per share. Two of the increases in capital were effected by stock dividends of \$250,000 each, and in the other instances 5,000 additional shares were subscribed and paid for at par, and 25,000 shares subscribed and paid for at \$150 per share. The sale of capital stock has therefore caused contributions to surplus of \$1,750,000.

Under its present charter the company is authorized to issue policies against loss on accident, health, liability, workmen's compensation, team property damage, fidelity, surety, credit, burglary and theft, plate glass, steam boiler, fly wheel, live stock, automobile property damage, sprinkler leakage and elevator risks; but has only undertaken the underwriting of fidelity, surety and burglary and theft risks.

In January, 1904, Mr. William B. Joyce, at that time president of the Joyce & Company agency at Chicago, and the Wm. B. Joyce & Company agency at St. Paul and Minneapolis, was asked to accept the presidency of the company. Mr. Joyce resigned as president of the agency corporation, and was elected president of the National Surety Company.

The statement filed with this Department as of January 30, 1904, showed admitted assets of \$1,627,901.51, and a surplus

over all liabilities (including capital of \$500,000) of \$204,470.21, and its writings confined to fidelity and surety risks. Under the present management the admitted assets have increased to \$12,871,307.36, the capital to \$4,000,000, and the surplus over all liabilities to \$4,079,790.41, as shown by this report, while the company has added burglary and theft risks to the lines underwritten.

Territory and Agency Organization

The company operates in every State of the Union, the District of Columbia, Alaska, Canal Zone, Cuba, Hawaii, Philippine Islands, Porto Rico, Virgin Islands, Canada and Mexico. The business is conducted through a system of twenty-eight branch offices, territorial managers, and general and sub-agencies, under supervision of the home office. The branch offices are located in the principal cities, in charge of a manager under salary, and the expenses paid by the company. General agents attend to the developing of their territory, appointing and fixing the commissions of sub-agents.

Branch office managers and general agents are granted authority to execute bonds, the maximum amount on fiduciary bonds being \$200,000 with joint control, and \$30,000 individual control; contract bonds, \$100,000; contract supply bonds, \$400,000 (except contract and contract supply bonds running to the United States government), and fidelity bonds, with counter signature, \$25,000, and without, \$15,000; but are presumed to submit all large applications to the home office for approval, where time will permit. Subagents are not allowed to execute bonds without prior submission to and approval of duly empowered attorney-in-fact. To facilitate the underwriting the company has also appointed a number of resident vice-presidents and assistant secretaries, their services being paid by fees.

The company's contracts with agents and subagents have been examined, and disclose commission agreements running from 25 to 35 per cent.

Financial Statement

The following statement shows the assets and liabilities on December 30, 1916:

Ledger Assets

Book value of real estate.....	\$106,155 00
Mortgage loans	115,419 45
Collateral loans	44,180 25
Book value of bonds	6,172,401 33
Book value of stocks.....	2,806,332 40
Cash in company's office.....	\$1,000 00
Cash in branch offices	6,955 15
Cash in transit	111,907 69
Cash subscription to railroad stock.....	137,813 00
Deposits in banks and trust companies not on interest	1,638,032 66
Deposits in banks and trust companies on interest	580,522 14
	2,476,230 64
Due from suspended banks.....	177,660 70
Premiums in course of collection:	

	On policies issued after Oct. 1, 1916	On policies prior to Oct. 1, 1916
Fidelity	\$282,107 52	\$40,499 60
Surety	555,426 67	115,417 30
Burglary and theft	118,962 79	4,706 80

Totals	\$956,496 98	\$160,623 70	1,117,120 68
Funds held by Excise Reinsurance Association.....			76,725 51
Accounts receivable, miscellaneous			64,647 79
Reinsurance recoverable on paid losses.....			39,103 33
Due from Munich Re-Insurance Co.....			2,216 68
Due from railroads for inspections.....			7,945 49
Advances on contracts			26,003 18
Due from U. S. Government.....			24,765 39
Advances against commissions.....			5,409 65
Suspense advances			5,120 24
Agents' balances			997 09
Co-insurance trust funds.....			15,094 93

Ledger assets as per balance.....\$13,283,529 73

Non-Ledger Assets

Interest accrued on mortgages.....	\$933 48
Interest due and accrued on bonds.....	87,716 44
Interest accrued on bank balances.....	1,971 44
Appraised value of real estate over book value	6,025 00
Salvage received in 1917 on claims paid prior..	64,639 83
Due from suspended banks.....	2,115 77
	163,401 96

Gross assets\$13,446,931 69

Deduct Assets Not Admitted

Excess of collateral loans over market value of securities pledged	\$2, 121 71	
Book value of bonds and stocks over market value	201, 637 42	
Cash in branch offices.....	958 33	
Deposit in Emmet Bank, San Antonio, Texas, suspended 1916	767 10	
Premiums in course of collection written prior to Oct. 1, 1916.....	160, 623 70	
Accounts receivable, miscellaneous	16, 911 61	
Reinsurance recoverable on paid losses.....	4, 792 88	
Due from Munich Reinsurance Co.....	2, 216 68	
Advances on contracts	24, 103 18	
Advances against commissions	5, 409 65	
Suspense advances	1, 301 51	
Agents' balances	997 09	
Co-insurance trust funds	15, 094 93	
Market value of special deposits in excess of liabilities	138, 688 54	
		575, 624 33
Admitted assets	\$12, 871, 307 36	

Liabilities

Unpaid claims including adjustment expenses:		
Fidelity	\$540, 223 77	
Surety	785, 646 59	
Burglary and theft.....	46, 806 37	
		\$1, 372, 676 73
Unearned premiums:		
Gross premiums, one year \$3,878,632.99; unearned premiums pro rata.....	\$1, 907, 319 09	
Gross premiums more than one year, \$1,208,930.45; unearned premiums pro rata.....	739, 270 21	
Gross premiums paid in advance.....	134, 083 02	
Gross premiums, New York state excise, \$74,444.22; unearned premiums 75 per cent	55, 833 17	
		2, 836, 505 49
Commissions on policies issued on or after October 1, 1916	207, 690 14	
Salaries accrued and bills unpaid.....	19, 644 45	
Taxes on premiums.....	102, 160 20	
Dividends declared and unpaid.....	90, 063 00	
Return premiums	28, 233 63	
Reinsurance premiums	50, 305 98	
Unadjusted premiums	42, 208 07	

Co-insurance trust funds	14,802 89
Income tax deducted at source.....	935 31
Suspense miscellaneous	1,559 60
Special reserve, miscellaneous liabilities.....	24,731 52
Total liabilities except capital.....	\$4,791,516 95
Capital	\$4,000,000 00
Surplus over all liabilities	4,079,790 41
Surplus to policyholders.....	8,079,790 41
Total	\$12,871,307 36

National List, Inc.

On August 27, 1914, a corporation known as the "National List, Inc." was organized by persons associated with the surety company, for the purpose of taking over the bonded attorney business, at that time a department of the National Surety Company.

The income on this business is derived from three forms of contracts, as follows:

1. Contracts whereby, in consideration of the payment of a stipulated fee by an attorney, the corporation agrees to publish his name in the National List for one year.

2. Contracts with merchants under which, in consideration of the payment of a stated amount by the merchant, the corporation agrees to furnish certain collection service consisting of copies of the National List, collection letters, forms of drafts, special reports, and forms and coupons under which without extra charge a fidelity bond is issued covering any attorney whose name appears in the National List, and one or more judicial bonds not exceeding \$2,000, provided the fee paid by the merchant under the contract is equal to \$25, and additional bonds where the fee exceeds that amount.

3. Premiums on mercantile agency bonds insuring against loss merchants or others who place business with collection agencies.

The bound volume known as the National List is published semi-annually, and contains the name and address of at least one attorney at each county seat, and the names of several at principal

cities throughout the United States. The attorneys are known as representatives of the National List, and their fidelity is guaranteed by the corporation as previously stated, being covered by bonds issued by the surety company.

The National List was incorporated with a capital of \$200,000, consisting of 1,000 shares of common and 1,000 shares of 7 per cent cumulative preferred stock. The stock certificates were issued in the names of seven officers and employees of the National Surety Company, and are held for it, in exchange for good will, attorneys' contracts and copyrights valued collectively at \$198,500, and furniture and fixtures valued at \$1,500. The surety company also turned over accounts receivable of \$9,742.91, representing fees due on contracts then in force.

The books of account have been examined and a statement prepared by your examiners shows an excess of earned income over disbursements (not including dividends paid on capital stock) of \$3,494.63 for the period from date of incorporation to December 30, 1916. In making up this statement the unearned proportion of fees paid in advance has been deducted, this method being in accord with the company's and department's treatment at the time of the last examination.

The following is a statement of the assets and liabilities December 30, 1916, as shown by the corporation's ledger and as valued by your examiner:

<i>Assets</i>		
	<i>Corporation's Ledger</i>	<i>Valued by Examiner</i>
Cash in bank.....	\$5,407 38	\$5,407 38
Petty cash fund.....	115 00	115 00
Fees receivable from attorneys.....	44,646 50	44,646 50
Fees receivable from subscribers.....	1,466 00	1,466 00
Accounts receivable	59 84	59 84
Furniture and fixtures.....	1,887 11	.....
Good will, attorney's contracts, copyrights, etc.	198,500 00	.....
	\$252,081 83	\$51,694 72
<i>Liabilities</i>		
Accounts payable	\$218 22	\$218 22
Unearned attorneys' contract fees.....	.....	44,915 00
Unearned subscribers' contract fees.....	.....	2,836 47

	<i>Corporation's Ledger</i>	<i>Valued by Examiner</i>
Unpaid losses	\$948 63	
Less salvage on losses paid.....	719 63	
		229 00
Unpaid bills		328 49
	\$218 22	\$48,527 18
Excess of assets over all liabilities except capital of \$200,000.....	251,863 61	3,167 54
	\$252,081 83	\$51,694 72

The National Surety Company in its statement filed with this Department for the year ending December 30, 1916, carried no value on the 1,000 shares of common stock of the National List and used the Department's valuation December 31, 1915, of \$40 per share as the value of the 1,000 shares of 7 per cent cumulative preferred stock. Pending a revision of the market value of this stock, your examiner has used the same valuation. This stock is included with the other stocks held by the company.

Summary of Changes in Reserves

	<i>Company Reserve</i>	<i>Examiner's Reserve</i>	<i>Increase</i>
<i>Fidelity:</i>			
Scheduled claims	\$440,671 13	\$420,992 72	\$—19,678 41
Subsequent notices		119,231 05	119,231 05
<i>Surety:</i>			
Scheduled claims	661,042 61	735,086 61	74,044 00
Subsequent notices		50,559 98	50,559 98
<i>Burglary and Theft:</i>			
Scheduled claims	38,683 07	39,409 31	726 24
Subsequent notices		7,397 06	7,397 06
	\$1,140,396 81	\$1,372,676 73	\$232,279 92

Reinsurance Contracts

Since the last examination as of December 31, 1913, the company has reinsured the risks of the following companies, the particulars thereof being as follows:

Citizens' Trust & Guaranty Company, June 22, 1914:	Unearned premium on risks reinsured	Commissions on same	Net cash received
Fidelity	\$8,689 99	\$3,476 00	\$5,213 99
Surety	16,650 58	6,660 23	9,990 35
Interstate Casualty Company, April 29, 1915:			
Fidelity	2,443 41	733 02	1,710 39
Surety	1,149 97	344 99	804 98
Ætna Accident & Liability Com- pany, March 1, 1916.....	21,518 95	8,607 58	12,911 37
American Fidelity Company, Oct. 2, 1916:			
Fidelity	11,990 01	4,796 00	7,194 01
Surety	80,508 60	32,203 44	48,305 16
Burglary	22,129 83	8,851 92	13,277 91

The unearned premiums December 30, 1916, on all of the above risks were included in the premium reserve.

Collateral

As a protection against loss under fidelity and surety bonds, the company holds various forms of collateral. In accepting this collateral the company assumes the liability for its safe keeping, and this involves a great deal of care and the maintaining of an accurate system of records. The greater part of this collateral is held at the home office under the direct custody of the assistant treasurer and the custodian. The negotiable securities are kept in the vaults of a safe deposit company, and other collateral in a vault in the company's office. Collateral held at branch offices and agencies is kept in safe deposit boxes and in some cases held by banks in escrow for the company.

A detailed list has been compiled of all collateral appearing on the collateral registers December 30, 1916. This has necessitated the examination of collateral registers covering a period of twenty years, and involved a great amount of detail work. The accuracy of this list has been substantiated by an exhaustive check of the books of original record. In a few instances there had been a failure to mark the registers when collateral was returned, and the records have since been corrected.

All collateral held at the home office December 30, 1916, has been verified either by actual count or evidence showing either

that the collateral had been released or other security substituted since that date. Cash collateral has been verified by bank certificates received from the various banks in which the cash is deposited in separate trust fund accounts. Affidavits have been obtained from agents certifying to the collateral held by them, and direct correspondence with banks holding collateral in escrow verifies the company's records.

The total collateral held December 30, 1916, is found to be as follows:

	Held by Home Office	Held by Agents or Banks
Cash in bank	\$734,116 97	\$11,610 00
Certificates of deposit	1,126,871 80	116,769 80
Bank books	113,011 79	20,503 50
Certified checks	6,515 00	500 00
Letters of credit .....	.....	1,610,000 00
Bonds and stocks	4,723,259 90	1,854,130 00
Real estate mortgages and trust deeds.....	463,770 79	21,700 00
110 trust deeds (no amounts given).		
Chattel mortgages	23,335 00	900 00
10 chattel mortgages (no amounts given).		
Assignments of various equities.....	97,495 47	1,500 00
10 assignments (no amounts given).		
Life insurance policies.....	105,500 00	.....
Promissory notes	59,369 76	43,676 37
30 pieces of jewelry.		
	\$7,452,246 48	\$3,681,289 67

The number of cases or bonds under which collateral was held on December 30, 1916, was 1,198. The total collateral held is found to be \$134,273.37 more than shown in the company's report to the Department.

It is the general practice of the company to retain interest received on cash collateral deposited in banks, except in cases where the principal makes demand.

Collateral held having a market value of \$285,467.88 has been considered in arriving at the estimated liability on unpaid claims.

Underwriting and Investment Exhibit

The following underwriting and investment exhibit is based on the examinations by this Department as of December 31, 1913,

and December 30, 1916, and the audited statements for the years 1914 and 1915.

	1914	1915	1916
Gain from underwriting.....	\$176,348 58	\$733,964 26	\$450,030 81
Net income from investments....	268,690 05	294,700 87	391,283 59
Gain from sale or change in market value of investments.....	12,298 46	89,318 24	55,406 29
	<u>\$457,337 09</u>	<u>\$1,117,983 37</u>	<u>\$896,720 69</u>
Exchange on deposit in Mexican banks	-15,711 67	+17,737 93	
	<u>\$441,625 42</u>	<u>\$1,135,721 30</u>	<u>\$896,720 69</u>
Less			
Income tax deducted at source..	\$588 33	\$95 84	\$237 81
Deductions on account of special deposits	113,207 92	13,051 34	12,429 28
Dividends declared to stockholders	240,000 00	240,000 00	360,000 00
Total deductions	<u>\$353,796 25</u>	<u>\$253,147 18</u>	<u>\$372,667 09</u>
Excess of gain over loss.....	\$87,829 17	\$882,574 12	\$524,053 60
Surplus paid in by stockholders..	.....	500,000 00	500,000 00
Net earnings during year...	<u>\$87,829 17</u>	<u>\$1,382,574 12</u>	<u>\$1,024,053 60</u>
Surplus over all liabilities:			
Dec. 31, 1913, \$1,585,333 52			
Dec. 31, 1914, \$1,673,162 69			
Dec. 31, 1915, \$3,065,736 81			
Dec. 30, 1916, \$4,079,790 41			
Increase in surplus during year..	<u>\$87,829 17</u>	<u>\$1,382,574 12</u>	<u>\$1,024,053 60</u>

Changes in Surplus

The following exhibit shows the changes in the various assets and liabilities as reported by the company December 30, 1916, and as determined by the examination, as reflected in the net decrease in surplus.

	Increase	Decrease
Increase in value of real estate.....	\$6,025 00	.....
Decrease in collateral loans.....	.....	\$525 00
Increase in market value of bonds and stocks...	42,880 13	.....
Decrease of deposits in banks.....	.....	767 10
Increase in equity of balances due from suspended banks	2,115 77	.....

	Increase	Decrease
Decrease in uncollected premiums on risks effective on or subsequent to October 1, 1916....	.....	5,711 59
Decrease in accounts receivable, miscellaneous...	.....	4,885 15
Decrease in reinsurance due on paid losses.....	.....	2,100 00
Decrease in balance due from Munich Reinsurance Company .....	.....	1,806 22
Decrease in advances on contracts.....	.....	24,103 18
Decrease in advances against commissions.....	.....	5,409 65
Decrease in suspense advances.....	.....	1,001 00
Increase in accrued interest.....	241 95	.....
Salvage received in 1917 on losses paid prior....	64,639 83	.....
Increase in deduction for special deposits.....	.....	11,366 09
Increase in fidelity loss reserve.....	.....	99,552 64
Increase in surety loss reserve.....	.....	124,603 98
Increase in burglary and theft loss reserve.....	.....	8,123 30
Increase in unearned premium reserve.....	.....	15,731 88
Increase in commission liability.....	.....	1,669 93
Increase in accrued bills and expenses.....	.....	947 33
Increase in accrued taxes .....	.....	21,153 95
Increase in return premiums unpaid.....	.....	6,773 25
Increase in reinsurance premiums unpaid.....	.....	1,000 00
Increase in unadjusted premiums.....	.....	10,125 72
Increase in special reserve for miscellaneous liabilities .....	.....	6,298 22
	\$115,902 68	\$353,755 18
Net decrease in surplus.....	237,852 50	.....
	\$353,755 18	\$353,755 18
Surplus reported by company, December 30, 1916.....		\$4,317,642 91
Surplus as per this report, December 30, 1916.....		4,079,790 41
		\$237,852 50

Conclusion

The National Surety Company is in a sound financial condition, and its affairs are efficiently managed.

Its books of accounts are accurate and the records showing the risks in force and the unearned premiums thereon are adequate. The loss files contain all the information necessary in order to arrive at a proper estimate of the probable loss. A careful system of joint control is maintained, and the records of collateral held as protection against loss on bonds executed, while voluminous, is satisfactory. Its underwriting is profitable, indicating that

the business is carefully and intelligently selected. Its treatment of policyholders is just and equitable.

This report shows a surplus over all liabilities of \$4,079,790.41 on December 30, 1916, which is \$237,852.50 less than the amount reported in the annual statement filed with this Department. The various items entering into this net change are fully set forth in the summary appearing on page 31 of this report. The largest changes in the company's figures are caused by increases aggregating \$232,279.92 in the loss reserves. Of this amount, however, \$177,188.09 represents the estimated liability for claims arising prior to December 31, 1916, and not reported to the company until subsequent to that date.

TITLE AND MORTGAGE GUARANTEE COMPANY OF BUFFALO

BUFFALO, N. Y.

Examined to ascertain condition August 18, 1917.

Report dated September 12, 1917.

Examiners: Herbert C. Clark, Wilbur F. German.

The certificate of incorporation of this company was filed May 3, 1916, and an examination of the company on organization and to verify the payment in of one-third of its capital stock was made as of May 23, 1916, and filed June 2, 1916. A certificate as provided for in section 173 of the Insurance Law containing a statement that all the provisions of Article V of the said law had been fully observed in the organization of the corporation was issued as of June 2, 1916.

The company was organized to do a title insurance and mortgage guarantee business with an authorized capital of \$250,000 and a surplus of \$50,000.

The report of the examination on organization above referred to showed a payment in of \$20,000 in cash, of which \$16,666.67 represented capital and \$3,333.33 surplus. Eight hundred thirty-three and one-third shares of stock were issued for the assets of the New York and Buffalo Title Company—the incorporated

branch of the New York Title Company. Since that time cash amounting to \$180,000 has been paid in.

The status of the various stock issues are thus found to be as follows:

	<i>Capital</i>	<i>Surplus</i>	<i>Total</i>
Original cash subscription.....	\$16,666 67	\$3,333 33	\$20,000
To stockholders of New York and Buffalo Title Company in ex- change for assets.....	83,333 33	16,666 67	100,000
Final cash payments.....	150,000 00	30,000 00	180,000
Total	<u>\$250,000 00</u>	<u>\$50,000 00</u>	<u>\$300,000</u>

The final payment in of cash representing capital was made on November 28, 1916, but the final payment in of cash (\$30,000) representing surplus was not made until March 23, 1917.

Section 16 of the Insurance Law provides that the minimum capital of a domestic insurance company must be invested in certain securities. The minimum capital of a title and mortgage guaranty company is \$150,000. On the date of this examination the company had investments in bonds and mortgages of \$143,250. It held cash amounting to \$14,219.36, of which \$10,000 was to be invested within a few days in a real estate mortgage. When this investment is made the assets will be invested in proper securities, and the officers have been advised to continue the investment of at least \$150,000 in securities of this class as provided by statute.

The investment in mortgages would have been much larger if the company had not used \$35,000 cash to pay off the mortgage on its own building.

Financial Statement

The following statement shows the company's financial condition on August 18, 1917:

<i>Assets</i>		
Book value of real estate.....	\$75,000 00	
Plus difference between book and market value..	26,500 00	
Market value of real estate, as per appraisal.....		\$101,500 00
Mortgage loans on real estate.....		143,250 00
Cash in office.....	\$20 00	
Deposits in banks.....	14,199 36	
		<u>14,219 36</u>

Value of title plant.....	67,672 87
Title premiums receivable less \$3,122.98 representing accounts over 12 months due.....	2,392 76
Mortgage guaranty premiums receivable.....	36 32
Fees receivable: Search less \$4,395.90, representing accounts over 12 months due.....	5,617 97
Interest on mortgage loans accrued.....	2,476 49

Total assets	\$337,165 77
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Liabilities, Capital and Surplus

Borrowed money	\$14,000 00
Salaries, expenses, bills, accounts, etc., due or accrued.....	235 22
Estimated amount payable for federal, state and other taxes.....	50 00

Total liabilities	\$14,285 22
Capital	250,000 00
Surplus August 18, 1917.....	72,880 55

Total liabilities, capital and surplus.....	\$337,165 77
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REVENUE ACCOUNT FROM JANUARY 1, 1917 TO AUGUST 18, 1917

Income

Premiums for title insurance.....	\$4,539 50
Premiums for mortgage guarantees.....	36 32
	\$4,575 82

Fees for:

Searches	\$12,292 20
Conveyances	10 00
Appraisals	345 00
Examinations	200 00
Services	541 50
Insurance expenses	35 00
	13,423 70

Interest earned on:

Mortgage loans	\$3,784 94
Bank deposits	495 39
	4,280 33

Rents, including \$3,166.67 for company's occupancy of its own building	3,574 98
Collection of accounts previously charged off.....	22 00
Increase of value of real estate owned by Departmental appraisal	1,500 00
Reduction in reserve for losses.....	1,785 97
Surplus paid in in cash.....	30,000 00

Total income	\$59,162 80
Surplus (as per annual statement December 31st of previous year)	39,978 50

Total	\$99,141 30
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<i>Outgo</i>		
Commissions, title business.....	\$456 25	
Commissions, searches	873 10	
		\$1,329 35
Salaries, fees, and other charges of officers, directors and office employees.....	\$7,170 74	
Salaries of searchers.....	6,416 81	
		13,587 55
Rent		3,166 67
Advertising	\$1,082 05	
Printing and stationery	798 02	
Furniture and fixtures.....	468 35	
Postage, telegrams, telephone and express.....	277 74	
Automobile expense	269 09	
Miscellaneous office expense.....	424 27	
		3,319 52
Taxes and assessments on real estate.....		2,117 39
Expenses and improvements on real estate.....		1,025 29
Taxes		50 00
Accounts over 12 months due not previously charged off.....		1,664 98
Total outgo		\$26,260 75
Surplus August 18, 1917.....		72,880 55
Total		\$99,141 30

*Assets**Real Estate:*

The real estate owned consists of the Home Office Building situated at 36-38 Church street, Buffalo, N. Y., a two story brick and steel building. It was taken over at the time of the organization of the company from the New York and Buffalo Title Company as part of the assets of the latter company at an estimated value of \$75,000, subject to a mortgage of \$35,000. The mortgage has since been satisfied, as above referred to.

On December 31, 1916, the company increased the book value of the said building to \$100,000, but, in auditing the annual statement of the company, the Department did not allow such increase, and it was decided to have the property appraised. This has been done, and the Department's appraiser places the value at \$101,500, of which \$64,000 represents the land value and \$37,500 the value of the building. The total appraised value is therefore carried in this report.

The papers affecting the title were found to be in order. The building is insured for only \$25,000. This should be increased.

Mortgages:

The company has made forty-six mortgage loans on real estate, of which nineteen have been sold with a guarantee. The total amount loaned is \$225,450 and the amount sold \$82,200, leaving mortgage assets of \$143,250. The loans earn interest at 5½ per cent and 6 per cent.

The loans are all in the city of Buffalo upon improved properties. Your examiner inspected the property pledged, accompanied by the company's appraisers. As a result of such inspection it was not deemed necessary, at this time, to have appraisals made.

All the papers were examined and found to be properly executed and recorded and sufficient fire insurance carried. Where building loans were made the amount advanced only is carried as an asset.

Plant:

The company has two plants—a so-called minute plant and a locality plant. The latter is designed on the lot and block system and the officers state that it is the only one in Buffalo.

The former cost \$20,832.76 and the latter \$63,323.48. The company has charged off entirely the cost of the former plant, and carries as an asset only the locality plant. Since December 31, 1916, it has increased the book value of the latter to \$67,672.87 on account of outlay. The Department has ruled that 10 per cent of the book value of plants of title companies should be written off each year, but that in the case of new companies three years will be allowed to build up a plant before beginning to reduce the book value. The plant has accordingly been allowed at \$67,672.87.

The plant is insured for \$10,000.

Accounts Receivable:

The various items comprising these accounts were checked in detail and all over twelve months due were disallowed as assets.

*Liabilities**Claims:*

When the assets and liabilities of the New York and Buffalo Title Company were taken over there was a contingent liability of about \$2,500 on a judgment. The case was then on appeal. On December 31, 1916, the company carried this item as a resisted claim. The case has since been decided in favor of the company by the Court of Appeals.

No other claims have arisen against the old company and none are outstanding against the new company. Filed with the papers of this examination is an affidavit of the vice-president of the company to the above effect.

Estimated Amount Due for Taxes:

The real estate taxes were paid August 1, 1917. The item of \$50 entered herein is the estimated amount due for federal taxes for eight months of 1917.

Capital Stock:

The capital stock consists of 2,500 shares of a par value of \$100 each. There are at present fourteen stockholders.

The shares held by the New York Title and Mortgage Company, formerly the New York Title Company, have been transferred by it to the "Land Estates, Inc."

The stock in the new company was issued in exchange for stock in the old on the basis of one share of new for five-sixths of a share of old. This resulted in several fractional lots, which were bought by various stockholders to make up even shares.

Filed with the papers of this examination is a schedule showing the names of the old stockholders, the number of shares owned, the disposition of their stock on the organization of the new company, and the list of the stockholders of the new company.

Underwriting Contract

On May 3, 1917, the company entered into an underwriting contract with the New York Title and Mortgage Company, whereby the risks on title and mortgage guarantees in excess of certain amounts will be reinsured in the latter company upon a

graduated basis, the premiums being shared in like proportions.

This contract also gives the Buffalo company the right to submit law questions affecting titles to the New York company's legal staff.

New York and Buffalo Title Company

The company under examination, at the time of organization, took over all the assets and assumed all the liabilities of the New York and Buffalo Title Company. The latter company was, as hereinbefore stated, the incorporated branch of the New York Title Company (now the New York Title and Mortgage Company). The consideration for the transfer was $833\frac{1}{3}$ shares of the stock of the new company, issued at the rate of \$120 per share, or a book value of \$100,000, of which \$83,333.33 was credited to capital account and \$16,666.67 to surplus.

The examiner's report on organization of May 26, 1916, contained a sworn statement of the vice-president of the company as to the amount of assets and liabilities assumed by the new company, which were as follows:

<i>Assets</i>	
Real estate (less incumbrance)	\$40,000 00
Title plant	60,000 00
Furniture and fixtures.....	1,500 00
Accounts receivable (net)	9,000 00
	\$110,500 00
<i>Liabilities</i>	
Interest on mortgage.....	\$825 00
Attorneys' fees	550 00
Attorneys' disbursements	263 50
Surplus	8,861 50
Capital	100,000 00
	\$110,500 00

As the stock of the new company was issued in exchange for the above assets at \$120, the result was that the new company obtained an estimated surplus of \$8,861.50. The company reported that item on December 31, 1916, at \$8,777.33, a difference of only \$84.17.

The present status of the various items making up the assets and liabilities of the old company, viz.: real estate, title plant, and accounts receivable, is discussed elsewhere in this report.

Furniture and Fixtures:

The old item, \$1,500, plus new purchases, now amounts to \$4,311.20 and is disallowed as an asset in this report.

The interest on mortgage and attorneys' fees and disbursements have since been paid.

Directors

There are five directors, all holding the required number of shares.

The minutes of the board show that nearly all the business is transacted by the executive committee, which consists of the president and two directors.

The by-laws provide that the minutes of the committees shall be kept in separate books and read into the minutes of the board of directors. This has not been done, but the officers state that it will be done in the future.

UNITED STATES GUARANTEE COMPANY

NEW YORK CITY

Examined to ascertain condition March 31, 1917.

Report dated August 4, 1917.

Examiner: John E. Watson.

History

The company was organized in 1890 under the laws of the State of New York, and was authorized to issue fidelity and surety bonds. In 1916 under the provisions of section 52 of the Insurance Law, and section 18 of the Stock Corporation Law, and with the consent of the Superintendent of Insurance, the company amended its charter to permit the transaction of business as provided under subdivision 4, section 70, of the Insurance Law.

The authorized capital is \$250,000, consisting of 2,500 shares

of a par value of \$100 each. The principal stockholder is the Guarantee Company of North America, of Montreal, Canada, which owns 1,491 shares.

The company writes business in the States of Massachusetts, Connecticut, New York, New Jersey, Pennsylvania, Kentucky, Illinois and Colorado, and the District of Columbia.

Approximately one-third of its surety business consists of New York State excise bonds, received through its membership in the Excise Reinsurance Association, one-half of which is in turn reinsured with the United States branch of the Guarantee Company of North America.

FINANCIAL STATEMENT

The assets and liabilities on March 31, 1917, were found to be as follows:

Ledger Assets

Book value of bonds.....	\$664,430 00	
Book value of stocks.....	239,768 00	
Total		\$904,198 00
Cash in office.....	\$4,066 13	
Cash in bank.....	162,755 42	
		166,821 55
	On policies effective on and after January 1, 1917	On policies effective prior to January 1, 1917
Premiums in course of collection:		
Fidelity	\$12,271 01	\$1,004 08
Surety	13,100 75	6,167 93
Totals	\$25,371 76	\$7,172 01
		32,543 77
Company's equity in assets of the New York Excise Reinsurance Association		35,860 01
Total ledger assets.....		\$1,139,423 33

Non-Ledger Assets

Interest due and accrued on bonds.....	\$9,083 13	
Reinsurance due on paid losses.....	520 77	
		9,603 90
Gross assets		\$1,149,027 23

Deduct Assets Not Admitted

Premiums in course of collection on policies effective prior to January 1, 1917.....	\$7,172 01	
Book value of bonds and stocks over market value	6,708 00	
Company's equity in assets of New York Excise		
Reinsurance Association, of doubtful value....	125 00	
		14,005 01
Total admitted assets	\$1,135,022 22	

Liabilities

Losses and claims.....	\$22,820 13	
Unearned premiums	134,773 20	
Commissions due to agents on policies effective on or after January 1, 1917.....	5,514 38	
Unpaid bills and salaries accrued.....	5,247 98	
Taxes on premiums	3,414 23	
Unpaid reinsurance	5,590 30	
Federal income tax.....	1,430 69	
Total liabilities, except capital.....	\$178,790 91	
Capital stock	\$250,000 00	
Surplus	706,231 31	
Surplus as regards policyholders.....	956,231 31	
Total	\$1,135,022 22	

Surplus:

On March 31, 1917, the company reported in its quarterly statement a surplus of \$660,793.61. In addition to this the company included in the liability for "Other reserves and liabilities" \$29,460.38, which added to the reported surplus would make an actual surplus of \$690,253.99. The surplus as shown in this report is \$706,231.31, an increase of \$12,852.32.

Gain and Loss Exhibit

The following is an exhibit of the results of the company's transactions for the last twelve months:

Underwriting

Premiums earned	\$252,150 50	
Losses incurred	\$32,246 75	
Underwriting expenses	160,149 99	
		192,396 74
Gain from underwriting	\$59,753 76	

Investments

Interest earned	\$41,935 24	
Gain from sale of securities.....	53 88	
		\$41,989 12
Loss from market values.....	\$8,603 25	
Investment expenses	1,115 03	
		9,718 28
Gain from investments		32,270 84
		\$92,024 60
Dividends paid to stockholders.....	\$25,000 00	
Doubtful equity in Excise Reinsurance Association	125 00	
		25,125 00
		\$66,899 60
Surplus March 31, 1917.....	\$706,231 31	
Surplus March 31, 1916.....	639,331 71	
		\$66,899 60

Conclusion

The business of the company is carefully underwritten. All risks of \$10,000 or over are reported in detail weekly to the executive committee; any risk of unusual character or amount being usually submitted to such committee for approval before being written. Large risks are reinsured to the point of safety and indemnity agreements and collateral security are required to prevent losses. The business of the company has been profitable from the beginning, and its surplus of \$706,231.31 has been accumulated entirely from underwriting and investment earnings.

Mutual Compensation Companies

[607]

ALLIED MUTUALS LIABILITY INSURANCE COMPANY

NEW YORK CITY

Examined to ascertain condition June 30, 1917.

Report dated December 7, 1917.

Examiners: W. A. Billingham, F. H. Trench.

ORGANIZATION AND HISTORY

The company was incorporated March 8, 1914, pursuant to the provisions of Article 5-a of the Insurance Law, with authority to transact workmen's compensation, liability and property damage insurance. It began business July 1, 1914, and has confined its operations to workmen's compensation and liability insurance. The officers are as follows: Arthur W. Watson, president; Robert M. Donaldson, Francis G. Lloyd, Eugene S. Benjamin, Benjamin D. Traitel, vice-presidents; John Sargent, treasurer; W. Hunt Hall, Secretary.

The directors are as follows:

Arthur W. Watson, of Passavant & Co., 440 Fourth Ave.
Robert M. Donaldson, of American Lithographing Co., 4th Ave. and 19th St.
Francis G. Lloyd, president of Brooks Bros., Madison Ave. and 44th St.
W. Hunt Hall, president of John R. Waters Co., 120 Broadway.
John Sargent, treasurer of Sargent & Co., 94 Centre St.
Eugene S. Benjamin, of I. S. Wolf & Co., 130 E. 25th St.
Benjamin D. Traitel, president of Traitel Marble Co., Long Island City.
William H. Browning, president of Browning, King & Co., Cooper Square.
Henry A. Caesar, of H. A. Caesar & Co., 50 Union Square.
Stanley T. Cozzens, of Goldenberg Bros. & Co., 109 Fifth Ave.
Otto L. Dommerich, of L. F. Dommerich & Co., 254 Fourth Ave.
Theodore E. Goeller, secretary and treasurer of John R. Waters Co., 120 Broadway.
Jacob J. Goldman, of Goldman Costume Co., 2 W. 33d St.
Arthur B. Graham, lawyer, 165 Broadway.
Charles W. Halsey, vice-president of Rogers Peet Co., Broadway and 13th St.
Herbert W. Heyer, secretary of Wm. H. Jackson Co., 2 W. 47th St.
James R. Keiser, president of James R. Keiser, Inc., 395 Fourth Ave.
Waldemar Kops, of Kops Bros., 120 E. 16th St.
George Legg, of George Legg & Sons, 40 West 32d st.
J. A. Mollenhauer, of National Sugar Refining Co., 177 Montague St., Brooklyn.
Richard Moller, secretary and treasurer of Sloane & Moller, 316 E. 65th St.

D. G. Morrison, 373 Vernon Ave., Long Island City.

Morris Silberman, president of Empire Cloak & Suit Co., 105 Madison Ave.

Thomas Smidt, of Frederick Vietor & Achelis, Madison Ave. and 25th St.

George M. Wheeler, president of Maintenance Co., 417 Canal St.

On March 31, 1917, a tripartite contract was entered into by the Knickerbocker Mutual Liability Insurance Company, the Industrial Mutual Liability Insurance Association, and the Metropolitan Mutual Liability Insurance Company. Pursuant to the provisions of said contract the name of the Company was changed on June 13, 1917, to Allied Mutuals Liability Insurance Company.

Under the terms of this contract the business of the Metropolitan and Industrial companies was merged with the Knickerbocker company. It was agreed that the Knickerbocker should assume the payment of all the policy obligations of the Industrial and Metropolitan companies thereafter incurred, and that in consideration therefor all unearned premiums upon the policies of the Metropolitan and Industrial companies should become the property of the Knickerbocker, and thereafter such policies should be deemed to be the policies of the Knickerbocker.

It was further agreed that all policy obligations of the Metropolitan and Industrial incurred prior to the date of merger should continue to be the obligations of said companies, respectively, and be adjusted by the Knickerbocker as trustee, and that all surplus or profit which might accrue should revert to said companies, respectively.

Another contract was entered into upon the same date between the John R. Waters Company and Mr. Lee J. Wolfe under which the Waters Company agreed to pay Mr. Wolfe 5 per cent of the amount of premiums received by the Knickerbocker company during the next five years from employers who were members of the Industrial or Metropolitan companies upon the date of merger; also $2\frac{1}{2}$ per cent of the amount of premiums received by the Knickerbocker from any employers whose names appeared in a list of "prospects" furnished by Mr. Wolfe. This contract was entered into by the Waters company pursuant to instructions of the Knickerbocker company, and the Knickerbocker company subsequently took such obligation upon itself, by action of its directors.

FINANCIAL STATEMENT

The following is a statement of income and disbursements from July 1, 1916, to June 30, 1917, and of assets and liabilities on the latter date:

Income

Net premiums:

Workmen's compensation, less \$2,186.60 reinsurance paid	\$308,653 07
Liability, less \$871.36 reinsurance paid.....	21,427 08

Total net premiums	\$330,080 15
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Interest:

On bank deposits.....	\$481 06
On equity in Mutual Corporations Reinsurance Fund	256 21
On bonds	2,828 39

Total interest	3,565 66
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Total income	\$333,645 81
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Ledger assets June 30, 1916.....	68,173 92
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Total	\$401,819 73
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Disbursements

Losses:

Workmen's compensation	\$39,423 68
Liability	2,584 89

Total losses	\$42,008 57
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Investigation and settlement of claims:

Workmen's compensation	\$125 09
Liability	947 14

1,072 23

Commissions	23,453 73
Directors' fees and expenses.....	740 04
Expenses of Compensation Inspection Rating Board.....	1,624 10
Inspections by Compensation Inspection Rating Board.....	211 28
Expenses of Mutual Corporations Reinsurance Fund.....	207 88
Legal expenses (other than for investigation and settlement of claims)	3,069 52
Printing and stationery	241 79
Postage	63 01
Taxes	1,028 23
Fidelity bonds	260 00
Auditing books	275 00
Rent safe deposit box.....	19 20

Amortization of bonds of Mutual Corporations Reinsurance Fund	64 74
Dividends	13,510 43
Merger expenses	132 31
Total disbursements	<u>\$87,982 06</u>
Balance	<u>\$313,837 67</u>

Ledger Assets

Book value of bonds	\$95,841 72
Deposits in banks	15,244 71
Cash in custody of manager	5,204 06
Equity in Mutual Corporations Reinsurance Fund	12,455 39

	On policies effective on and after April 1, 1917	On policies effective prior to April 1, 1917	
Premiums in course of collection:			
Workmen's Compensation	\$174,023 56	\$1,680 61	
Liability	9,390 46	197 16	
Totals	<u>\$183,414 02</u>	<u>\$1,877 77</u>	185,291 79

Total ledger assets	\$313,837 67
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Non-Ledger Assets

Audited additional premiums	31,401 05
Accrued interest on bonds	318 53
Accrued interest on bank deposits	258 43
Equity in Mutual Corporations Reinsurance Fund in excess of ledger asset	68 01
Total assets	<u>\$345,883 69</u>

Deduct Assets Not Admitted

Premiums in course of collection on policies effective prior to April 1, 1917	\$1,877 77
Excess of book value of bonds over market value	571 72
	<u>2,449 49</u>
Admitted assets	<u>\$343,434 20</u>

Liabilities

Workmen's compensation loss reserve	\$59,567 58
Liability loss reserve	11,480 36
Unearned premium reserve	219,498 13
Commissions to become due on premiums in course of collection	7,522 80
Unpaid reinsurance	368 73

Unpaid taxes (estimated)	1,240 00
Unpaid bills	1,861 61
Estimated expenses of State Industrial Commission.....	1,000 00
Total liabilities	\$302,539 21
Special contingent surplus	\$20,784 24
Divisible surplus	20,110 75
	40,894 99
	\$343,434 20

MANAGEMENT

On May 1, 1914, the company entered into a contract with the corporation of John R. Waters Company to act as its general manager, subject to the direction and supervision of its board of directors.

Under the term of said contract the John R. Waters Company receives 15 per cent of the paid premiums, and in consideration therefor furnishes an office for the transaction of the company's business with necessary clerical staff, solicitors and inspectors, in addition to rendering its services as general manager. All income is received, and nearly all disbursements are made, by the general manager, and an accounting rendered to the company usually at semi-monthly intervals.

REINSURANCE

The company is a member of the Mutual Corporations' Reinsurance Fund, which affords protection against compensation losses in excess of \$25,000 which may result from a single accident. Similar reinsurance is carried with Lloyds of London from \$100,000 to \$500,000.

AMERICAN MUTUAL LIABILITY INSURANCE
COMPANY

NEW YORK CITY

Examined to ascertain condition June 30, 1917.

Report dated April 16, 1918.

Examiners: W. A. Billingham, F. H. French.

ORGANIZATION AND HISTORY

The company was incorporated January 21, 1914, pursuant to the provisions of Article 5-a of the Insurance Law, with authority to insure on the mutual plan as follows:

(a) Against loss or damage resulting from accident to or injury suffered by an employee or other person and for which the person insured is liable;

(b) Against the liability of an employer to pay compensation to his employees;

(c) Against the liability of an employer to pay compensation to his employees under any workmen's compensation law.

(d) Against loss or damage caused by a truck, wagon or other vehicle, propelled by steam, gas, gasoline, electric, mechanical or other power, or drawn by horses or mules, used in trade or manufacture and owned by any such person, to the property of another, for which loss or damage the person insured is liable.

On March 9, 1914, the Superintendent of Insurance issued his certificate authorizing the company to transact the kinds of insurance above stated.

Officers

Charles E. Hodges.....	President and Manager.
Nicholas E. Devereux.....	Vice-President.
Thompson S. Sampson.....	Treasurer and Secretary.

Directors

Charles E. Hodges, president of the company.

Andrew Frey, vice-president of the Oneita Knitting Mills, Utica, New York.

Joseph H. Reaney, general manager of Union Mills, St. Johnsville, N. Y.

Frank B. Harder, president of High Rock Knitting Co., Philmont, N. Y.

Edwin F. Greene, president of Lockwood-Greene Co., 101 Park Ave., N. Y. City.

Nicholas E. Devereux, president of Skenandoa Cotton Co., Utica, N. Y.

Francis J. Arend, president of De Laval Separator Co., Poughkeepsie, N. Y.

H. N. Covell, manager of Lidgerwood Manufacturing Co., Dikeman St., Brooklyn, N. Y.

George De Forest, president of Utica Steam and Mohawk Valley Cotton Mills, Utica, N. Y.

Edwin E. Jackson, president of Boerum & Pease Co., Front and Bridge Sts., Brooklyn, N. Y.

Edwin F. Metcalf, president of Columbian Rope Co., Auburn, N. Y.

A. E. Nettleton, president of A. E. Nettleton Co., Syracuse, N. Y.

Paul T. Wise, manager of Chelsea Fibre Mills, 1155 Manhattan Ave., Brooklyn, N. Y.

A. E. Borie, president of Savage Arms Co., Frankfort, N. Y.

Thompson S. Sampson, treasurer and secretary of the company.

On March 15, 1917, the board of directors adopted a resolution authorizing the president to cancel all of the company's policies on a date to be determined by him. Pursuant to such authority, the president addressed a letter to each policyholder under date of April 27, 1917, cancelling his insurance at midnight May 8, 1917. Such letter reads in part as follows:

The Directors of this company, acting under the authority given them by the members, at the Annual Meeting of the Company on January 15, 1917, having voted to cancel all outstanding policies, authorizing the President to fix the date when such cancellations shall be effective. I hereby give you notice that your policy No. ———, will be cancelled at midnight on the 8th of May, 1917.

The American Mutual Liability Insurance Company of Boston has been licensed to transact business in this State and they have agreed to take over the business of this Company.

We enclose herewith policy No. ——— in that Company to take effect simultaneously with the discontinuance of your insurance in the American Mutual Compensation Insurance Company of New York, together with bill for premium and financial statement of the Boston Company as of December 31, 1916.

There will be no change in the management of your insurance; the only difference will be that communications relating to matters concerning your new insurance should be addressed to the American Mutual *Liability* Insurance Company at the same address which you have used heretofore.

All communications relating to matters under your present policies should be addressed to the American Mutual *Compensation* Insurance Company at the same address which you have used in the past.

The corporate existence of the American Mutual Compensation Insurance Company will continue until its claims are liquidated when a final extra dividend will be paid out of any surplus which may remain.

FINANCIAL STATEMENT

The following is a statement of income and disbursements from July 1, 1916 to June 30, 1917, inclusive, and of assets and liabilities on the latter date:

Income

Net premiums:

Compensation, \$393,671.34, less reinsurance paid, \$4,209.79	\$389,461 55
Liability	13,892 87
Property damage	369 65

Total net premiums	\$403,724 07
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Interest:

On bank deposits	\$2,606 82
On bonds \$12,385.27, less \$450 paid on bonds purchased	11,935 27
On deposits with State Industrial Commission.	559 31

Total interest	15,101 40
Gross increase, by adjustment of book value of bonds	6,050 00

Total income	\$424,875 47
Ledger assets June 30, 1916.....	397,332 26

Total	\$822,207 73
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Losses paid:

Disbursements

Compensation	\$252,504 40
Liability	5,433 52
Property damage	816 93
	\$258,754 85

Investigation and settlement of claims:

Compensation	\$14,684 95
Liability	150 00
	14,834 95

Commissions	3,255 40
Salaries and all other compensation of officers and home office employees	38,113 98
Fees of directors and their traveling expenses.....	3,537 60
Salaries of solicitors	3,932 46
Salaries of payroll auditors.....	663 33
Salaries of branch office employees	9,830 95
Traveling expenses of officers and employees	7,527 26
Inspection of risks, including \$159.41 paid to Compensation Inspection Rating Board	10,898 96
Rent	4,832 03
State taxes on premiums.....	8,452 53
Federal income tax	242 63
Expenses of Compensation Inspection Rating Board, other than inspections	2,205 87
Legal expenses, other than for investigation and settlement of claims	1,036 58
Advertising	236 04
Printing and stationery.....	2,715 55
Postage, telegraph, telephone and express.....	2,918 28
Furniture and fixtures	1,338 24
Dividends to members.....	44,429 30
Books, rate manuals, periodicals, etc.....	242 10
Rent of safe deposit box.....	76 45

Insurance premiums:

Group life insurance for employees.....	\$279 28	
Automobile	74 63	
Burglary	10 00	
Fire	9 75	
Fidelity bonds	222 59	
		596 25
Moving expenses of branch office manager.....		200 00
Auditing books		100 00
Membership fees and dues:		
Insurance Federation of the State of New York	\$10 00	
Employers' Mutual Casualty Federation.....	50 00	
Ellicott Club, Buffalo	45 95	
Buffalo Chamber of Commerce.....	25 00	
Rochester Chamber of Commerce.....	7 50	
		138 45
Bank exchange		28 58
Gross decrease, by adjustment, of book value of bonds.....		900 00
Miscellaneous		815 78
Total disbursements		\$422,854 40
Balance (ledger assets).....		399,353 33

Ledger Assets

Bonds		\$268,560 00
Deposits in banks		87,246 39
	On policies effective prior to April 1, 1917	On policies effective on 'and after April 1, 1917
Premiums in course of collection:		
Compensation	\$12,521 98	\$29,058 93
Liability	293 30	637 04
Totals	\$12,815 28	\$29,695 97
		42,511 25
Deposit with State Industrial Commission.....		835 69
Advances to inspectors and solicitors.....		200 00
Total ledger assets		\$399,353 33

Non-Ledger Assets

Interest on bonds due and accrued.....		4,699 15
Audit additions		109,954 92
Total assets		\$514,007 40

Deduct Assets Not Admitted

Excess of book value of bonds over market value.	\$9,860 00	
Premiums on policies effective prior to April 1, 1917	12,815 28	
Advances to inspectors and solicitors.....	200 00	
		22,875 28
Admitted assets		\$491,132 12

Liabilities

Compensation loss reserve	\$284,207 19
Liability loss reserve	10,744 29
Property damage loss reserve.....	231 10
Reinsurance	9,512 85
State taxes (estimated)	2,410 00
Federal income tax (estimated).....	200 00
Expenses of State Industrial Commission (estimated).....	18,115 34
Expenses of settlement of claims (estimated).....	11,377 53
Expenses of directors' meetings, including fees and traveling (estimated)	5,000 00
Unpaid dividends on policy expirations to June 30, 1916	140 04
Unpaid bills	891 54
Surplus	148,302 24
Total	\$491,132 12

Additional Dividend

Since the completion of the examination, the company has requested permission to pay a dividend of 20 per cent on terminated policies pursuant to section 190 of the Insurance Law. The surplus, according to the foregoing report, is \$148,302.24. A dividend of 20 per cent would require approximately \$137,000 thus reducing the surplus to a little over \$11,000. In view of the relatively large volume of outstanding losses (the amount of which is at this time necessarily a matter of estimate only) and of the possibility of depreciation in the value of its investments, the company has been requested by the department to obtain an agreement from the American Mutual of Boston, whereby the Boston company agrees to make good any deficiency up to \$137,000 (the approximate amount of the proposed 20 per cent dividend) which may arise in the liquidation of the New York Company. Such agreement has been executed and a certified copy

is on file with this department. Under date of March 20, 1918, the company was given permission to pay a dividend of 20 per cent as aforesaid.

BAKERS' MUTUAL INSURANCE COMPANY OF NEW YORK

NEW YORK CITY

Examined to ascertain condition December 31, 1916.

Report dated June 30, 1917.

Examiner: W. A. Billingham.

HISTORY AND ORGANIZATION

The company was incorporated April 14, 1914, in accordance with the provisions of article 5-A of the Insurance Law, and began writing insurance in July, 1914.

Officers

Albin E. Plarre.....	President and General Manager.
Philip Modry.....	Vice-President.
Charles Geisert.....	Secretary and Treasurer.
Valentine Miller.....	Assistant Secretary.

Directors

Albin E. Plarre, 1392 Flatbush Ave., Brooklyn, N. Y.
 Charles Geisert, 7 W. 103d St., New York City.
 Philip Modry, 292 First Ave., New York City.
 Louis Lust, 100 E. 105th St., New York City.
 Adam Metz, 1912 65th St., Brooklyn, N. Y.
 Charles Fritz, 1660 First Ave., New York City.
 George E. Millsbaugh, 3355 Third Ave., New York City.
 Peter Elding, 2358 University Ave., New York City.
 John H. Eberle, Mount Vernon, N. Y.
 William Eymer, 593 Bay St., Stapleton, N. Y.
 John Krauss, 446 DeKalb Ave., Brooklyn, N. Y.
 Gustav Sauer, 4905 Third Ave., Brooklyn, N. Y.
 Clayton Van Deusen, 975 Fulton St., Brooklyn, N. Y.
 Edward Balzer, 166 Newton St., Brooklyn, N. Y.
 Arion Mammon, 5022 Fifth Ave., Brooklyn, N. Y.
 Carl Essling, 5608 New Utrecht Ave., Brooklyn, N. Y.
 Adam Polster, 219 Court St., Brooklyn, N. Y.
 Carl Blatau, 253 Central Park, Rochester, N. Y.
 Conrad Kaiser, 371 Vermont St., Buffalo, N. Y.
 Ernest F. Kick, 346 W. 44th St., New York City.

FINANCIAL STATEMENT

A statement of income and disbursements from January 1 to December 31, 1916, inclusive, and of assets and liabilities on the latter date, follows:

<i>Income</i>	
Net written workmen's compensation premiums.....	\$31,954 23
Interest:	
On bonds	\$573 84
On bank deposits	719 04
On equity in Mutual Corporations Reinsurance Fund	47 14
Total interest	1,340 02
Profit on sale of bonds.....	39 49
Increase by adjustment in book value of bonds.....	447 50
Total income	\$33,781 24
Ledger assets Dec. 31, 1915.....	37,758 33
Total	\$71,539 57

<i>Disbursements</i>	
Workmen's compensation losses:	
Deaths	\$2,111 28
Dismemberments	567 58
Temporary disability	3,129 14
Medical aid	2,499 17
Total	\$8,307 17
Investigation and adjustment of claims.....	32 53
Directors' fees	103 00
Salaries of officers.....	3,225 00
Salaries and expenses of employees.....	1,305 32
Rent	600 00
Legal expenses	2,000 00
State taxes on premiums.....	342 17
Federal income tax.....	255 87
Insurance department fees.....	124 38
Expenses, Compensation Inspection Rating Board	500 77
Expenses, Mutual Corporations' Reinsurance Fund	50 94
Amortization of investment securities of Mutual Corporations Reinsurance Fund.....	22 88
Advertising	125 00
Printing and stationery	313 05
Postage, telegraph, telephone and express.....	199 70
Furniture and fixtures	51 87
Dividends	2,136 37

Fidelity bonds of officers.....	45 00
Expenses of annual meeting.....	42 00
Legislative Index Publishing Company.....	87 50
Christmas gifts to employees of Adams Express Company building	53 00
Uncollected premiums charged off.....	187 42
Decrease by adjustment in book value of bonds..	10 00
Miscellaneous	114 76

Total disbursements	20,235 70
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Balance	\$51,303 87
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Ledger Assets

Bonds	\$25,520 00
Cash in office	1 63
Deposits in banks.....	20,979 07
Workmen's compensation premiums in course of collection:	
On policies effective prior to Oct. 1, 1916.....	\$933 82
On policies effective on and after Oct. 1, 1916..	257 96
	1,191 78
Equity in Mutual Corporations' Reinsurance Fund.....	2,927 42
Advance premium on London Lloyds Reinsurance.....	228 61
Return premium due from London Lloyds.....	5 36
Furniture and fixtures.....	450 00

Total ledger assets	\$51,303 87
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Non-Ledger Assets

Interest accrued on bonds.....	311 66
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Gross assets	\$51,615 53
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Deduct Assets Not Admitted

Premiums in course of collection on policies effective prior to Oct. 1, 1916	\$933 82
Advance London Lloyds reinsurance premium...	228 61
Return premium due from London Lloyds.....	5 36
Furniture and fixtures	450 00
	1,617 79

Total admitted assets.....	\$49,997 74
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Liabilities

Workmen's compensation loss reserves.....	\$8,913 04
Unearned premium reserve.....	15,240 88
State taxes on premiums (estimated).....	324 59
Federal income tax (estimated).....	94 97

Estimated amount of expenses of State Industrial Commission	90 00	
Unpaid dividends	577 81	
		25,241 29
Special contingent surplus.....	\$7,112 14	
Divisible surplus	17,644 31	
		24,756 45
Total surplus		24,756 45
Total		\$49,997 74

Surplus

The total surplus of \$24,756.45 is divided into two parts, namely: Special contingent surplus \$7,112.14 and divisible surplus \$17,644.31. The former is required, under a rule of the department to be retained by the company for the purpose of meeting any extraordinary losses which may accrue in the future; the latter is available for dividend purposes.

It will thus be seen that the company is in a sound financial condition and well able to maintain its dividend ratio of twenty per cent.

Reinsurance

The company is a member of the Mutual Corporations' Reinsurance Fund, which insures the payment of any losses which may be incurred in a single accident in excess of twenty-five thousand dollars. It has similar reinsurance with London Lloyds from \$100,000 to \$500,000. This protection is in addition to that afforded by the special contingent surplus.

BREWERS' MUTUAL INDEMNITY INSURANCE COMPANY

NEW YORK CITY

Examined to ascertain condition December 31, 1916.

Report dated July 13, 1917.

Examiner: W. A. Billingham.

HISTORY AND ORGANIZATION

The company was incorporated March 7, 1914, pursuant to the provisions of article 5-A of the Insurance Law. A certificate of authority was granted by the Superintendent of Insurance on May 26, 1914, and the Company began writing insurance July 1, 1914.

Officers

Peter Doelger.....	President.
John C. Heintz.....	First Vice-President.
John Reisenweber.....	Second Vice-President.
William P. Rinckhoff.....	Treasurer.
*Charles J. Warner.....	Secretary.
Edward L. McManus, Jr.....	General Manager.

Directors

Peter Doelger, president of Peter Doelger Brewing Co., Inc., N. Y. City.
George C. Doerschuck, vice-president of North American Brewing Co., Brooklyn.

Berthold Fallert, vice-president of Joseph Fallert Brewing Co., Inc., Brooklyn.

John C. Heintz, president of John Eichler Brewing Co., N. Y. City.

William Hoffman, president of Jacob Hoffman Brewing Co., N. Y. City.

Charles J. Liebman, secretary of S. Liebman's Sons Brewing Co., Brooklyn.

Edward L. McManus, Jr., general manager.

Theodore Obermeyer, president of Obermeyer & Liebman, Brooklyn.

John Reisenweber, president of Excelsior Brewing Co., Brooklyn.

William P. Rinckhoff, vice-president and treasurer of Consumers' Brewing Company of New York, Ltd., N. Y. City.

Jacob Ruppert, president of Jacob Ruppert, Inc., N. Y. City.

Rudolph J. Schaefer, president of F. & M. Schaefer Brewing Co., N. Y. City.

Louis B. Schram, president of India Wharf Brewing Co., Brooklyn.

† Charles J. Warner, secretary.

Frederick W. Woerz, secretary and treasurer of Beadleston & Woerz, N. Y. City.

FINANCIAL STATEMENT

The following is a statement of income and disbursements from January 1 to December 31, 1916, inclusive, and of assets and liabilities on the latter date:

* Succeeded by C. A. Schultz in February, 1917.

† Died January, 1917.

*Income**Net premiums:*

Workmen's compensation, less \$3,174.74 reinsurance.....	\$121,523 02
Liability	169,690 03
Property damage	61,262 50

Total premiums	\$352,475 55
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Interest:

On mortgage loan.....	\$1,388 00
On bonds	5,125 00
On bank deposits	10,916 21

Total interest	17,429 21
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Total income	\$369,904 76
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Ledger assets December 31, 1916.....	405,863 51
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Total	\$775,768 27
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*Disbursements**Workmen's compensation losses:*

Deaths	\$4,536 63
Permanent total disability.....	1,795 47
Other non-fatal accidents.....	42,514 46
Medical aid	19,349 85

Total workmen's compensation losses.....	\$68,196 41
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Liability losses	88,654 97
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Property damage losses.....	19,418 18
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Total losses	\$176,269 56
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Investigation and settlement of claims:

Workmen's compensation	\$1,990 66
Liability	19,138 06
Property damage	6,907 21

28,035 93

Salaries of officers.....	6,200 00
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Salaries of employees.....	4,495 75
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Christmas gratuities to employees	220 00
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Medical staff expense.....	1,423 00
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Traveling expenses	306 67
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Inspections of risks (excluding payments to Compensation Inspection Rating Board).....	380 01
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Rent	600 00
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State taxes on premiums.....	3,602 06
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Federal income tax.....	1,677 23
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Insurance department fees.....	71 91
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Federal revenue stamps.....	1,285 10
Expenses of Compensation Inspection Rating Board	333 24
Legal expenses (other than for investigation of claims)	2,499 96
Printing and stationery.....	702 71
Postage, telegraph, telephone and express.....	755 82
Furniture and fixtures.....	162 87
Dividends to members.....	35,294 10
Accident prevention	905 90
Auditing books	250 00
Fidelity bonds of officers and employees.....	135 00
Alliance against fraud.....	100 00
New York Claim Association	10 00
Membership fee, Employers' Mutual Casualty Federation.....	50 00
Fire insurance premiums.....	15 00
Miscellaneous	336 78

Total disbursements	\$266,118 60
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Balance	\$509,649 67
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Ledger Assets

Mortgage loan on real estate.....	\$32,000 00
Book value of bonds.....	101,937 50
Cash in office.....	2,464 49
Bank deposits	364,997 05

	On policies or renewals effective on or after Oct. 1, 1916	On policies or renewals prior to Oct. 1, 1916
<i>Premiums in course of collection:</i>		

Workmen's compensation	\$5,128 66	\$68 37
Liability	1,425 00	91 28

Totals	\$6,553 66	\$159 65
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		\$6,713 31
Balance on deposit with State Industrial Commission.....		1,537 32

Total ledger assets.....	\$509,649 67
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*Non-Ledger Assets**Accrued interest:*

On real estate mortgage loan.....	\$120 00
On bonds	1,708 33
On bank deposits.....	1,680 51

	3,508 84
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Market value of bonds over book value.....	62 50
Revenue stamps	1,179 04

Gross assets	\$514,400 05
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Deduct Assets Not Admitted

Cash in office	\$964 49
Premiums in course of collection effective prior to October 1, 1916	159 65
	1,124 14

Total admitted assets.....	\$513,275 91
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Liabilities

Workmen's compensation loss reserve.....	\$186,239 29
Liability loss reserve.....	88,475 87
Property damage loss reserve.....	14,974 41

Total reserves for unpaid losses.....	\$289,689 57
Unearned premium reserve.....	62,593 26
Estimated amount payable for expenses New York State Indus- trial Commission	1,054 00
Federal income tax (estimated).....	500 00
State tax on premiums (estimated).....	3,559 25
Unpaid bills	867 31

Total liabilities	\$358,263 39
Special contingent surplus.....	\$29,447 59
Divisible surplus	125,564 93

Total surplus	155,012 52
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Total	\$513,275 91
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SPECIAL CONTINGENT SURPLUS

Under a ruling of the Superintendent of Insurance, companies of this class(organized under Article 5-A of the Insurance Law) are required to carry a "special contingent surplus" as a protection against any extraordinary losses which may occur in the future. It consists of ten per cent of the earned compensation premiums, less 50 per cent of earned premiums for insurance against catastrophe. The computation follows:

	Compensation written premiums	Catastrophe insurance paid
1914	\$127,576 37	.....
1915	128,461 98	\$3,125 00
1916	124,697 76	3,174 74
Totals	\$380,736 11	\$6,299 74
Less "unearned"	62,593 26	1,566 35
Earned	\$318,142 85	\$4,733 39
Ten per cent of \$318,142.85		\$31,814 29
Less 50 per cent of \$4,733.39		2,366 70
Special contingent surplus		\$29,447 59

REINSURANCE

The company has procured protection against the contingency of extraordinary losses due to catastrophe by insurance with London Lloyds. The policy provides for reimbursement for any loss which may be sustained under workmen's compensation or employer's liability policies in excess of thirty thousand dollars in any one accident or occurrence or series of accidents or occurrences arising out of one event.

The books and records of the company are well kept, its management is efficient, and it will be seen from the foregoing that it is in sound financial condition.

ICE DEALERS' MUTUAL INSURANCE COMPANY

NEW YORK CITY

Examined on organization.

Report dated December 18, 1917.

Examiner: W. A. Billingham.

INDUSTRIAL MUTUAL LIABILITY INSURANCE
ASSOCIATION

NEW YORK CITY

Examined to ascertain condition June 30, 1917.

Report dated November 28, 1917.

Examiners: W. A. Billingham, F. H. French.

ORGANIZATION AND HISTORY

The company was incorporated February 4, 1914, pursuant to the provisions of article 5-A of the Insurance Law, with authority to transact workmen's compensation, liability, and property damage insurance. Its operations, however, have been confined to workmen's compensation insurance.

Officers

Eugene S. Benjamin.....	President
James R. Keiser	Vice President
Arthur D. Wolf.....	Treasurer
William R. Corwine.....	Secretary

Directors

Eugene S. Benjamin, of I. S. Wolf & Co., 130 East 25th St., New York City.

David Crystal, of David Crystal & Co., 11 East 26th St., New York City.

Max H. Friedman, of J. Friedman & Co., 708 Broadway, New York City.

Jacob J. Goldman, of Goldman Costume Co., 2-16 West 33d St., New York City.

William Goldman, of Cohen, Goldman & Co., 694 Broadway, New York City.

H. A. Guinzburg, of J. B. Kleinert Rubber Co., 721 Broadway, New York City.

George Harris, of Simon Ascher & Co., 390 Fourth Ave., New York City.

James R. Keiser, of James R. Keiser, Inc., 395 Fourth Ave., New York City.

Ira D. Kingbury, of L. Adler Bros. & Co., Rochester, N. Y.

A. C. Knothe, of Knothe Bros. Co., Inc., 122 Fifth Ave., New York City.

Waldemar Kops, of Kops Bros., 120 East 16th St., New York City.

Edwin L. Meyers, of Louis Meyers & Son, 110 Fifth Ave., New York City.

Max Naumburg, of M. & W. Naumburg & Co., 79 Fifth Ave., New York City.

J. L. Reiss, of International Tailoring Co., 97 East Houston St., New York City.

Abe Ast, of Adler & Ast, 2-16 West 33d St., New York City.

Charles F. Siemons, of Charles F. Siemons, Inc., 134 West 29th St., New York City.

Morris Silberman, of Empire Cloak & Suit Co., 105 Madison Ave., New York City.

Arthur D. Wolf, of Max M. Schwarcz & Co., 137 Madison Ave., New York City.

Henry Wolff, of Baum & Wolff, Inc., 99 Madison Ave., New York City.

William E. Wolff, of Heidelberg, Wolff & Co., 644 Broadway, New York City.

On December 7, 1915 a contract was entered into with Mr. Lee J. Wolfe under the terms of which Mr. Wolfe became manager of the company. Mr. Wolfe assumed the obligation of providing a suitable office, furnishing a clerical force and paying certain expenses of the company, in consideration for which he was entitled to receive twenty per cent of the premium income and ten per cent of the net profits.

This contract remained in full force and effect until March 31, 1917, when it was cancelled by mutual consent. Upon the same date a tripartite contract (See Exhibit A) was entered into by the Industrial Mutual Liability Insurance Association, the Metropolitan Mutual Liability Insurance Company and the Knickerbocker Mutual Liability Insurance Company (afterwards succeeded by the Allied Mutuals Liability Insurance Company).

Under the terms of this contract the business of the Industrial and Metropolitan companies was merged with the Knickerbocker Company. It was agreed that the Knickerbocker should assume the payment of all the policy obligations of the Industrial and Metropolitan thereafter incurred, and that in consideration therefor all unearned premiums upon policies of the Industrial and Metropolitan should become the property of the Knickerbocker and thereafter such policies should be deemed to be the policies of the Knickerbocker.

It was further agreed that all policy obligations of the Metropolitan and Industrial incurred prior to the date of merger should continue to be the obligations of said companies, respectively, and adjusted by the Knickerbocker as trustee, and that all surplus or profit should revert to the members of the respective companies.

Both the Industrial and Metropolitan ceased the writing of policies of insurance upon the merger date and have had no policies in force since that time.

FINANCIAL STATEMENT

The following is a statement of income and disbursements from July 1, 1916 to March 31, 1917, and of ledger assets on the latter date.

*Income**Net premiums:*

Workmen's compensation, less \$3,815.27 reinsurance paid..	\$54,992 30
--	-------------

Interest:

On bank deposits.....	\$553 09
-----------------------	----------

On equity in Mutual Corporations Reinsurance	
--	--

Fund	159 06
------------	--------

	712 15
--	--------

Sale of furniture.....	250 00
------------------------	--------

Total income	\$55,954 45
--------------------	-------------

Ledger assets June 30, 1916.....	44,565 73
----------------------------------	-----------

Total	\$100,520 18
-------------	--------------

*Disbursements**Losses:*

Workmen's compensation	\$19,904 07
------------------------------	-------------

Investigation and settlement of claims.....	33 40
---	-------

Commissions to manager.....	10,994 35
-----------------------------	-----------

Expenses Compensation Inspection Rating	
---	--

Board	870 01
-------------	--------

Inspections	67 56
-------------------	-------

Expenses Mutual Corporations Reinsurance	
--	--

Fund	60 86
------------	-------

Reducing book value of bonds of Mutual Cor-	
---	--

porations Reinsurance Fund to par value...	115 17
--	--------

Legal expenses	2,000 00
----------------------	----------

Auditing books	190 43
----------------------	--------

State taxes on premiums.....	551 36
------------------------------	--------

Premiums on fidelity bonds.....	61 50
---------------------------------	-------

Premiums for fire insurance.....	6 42
----------------------------------	------

Membership fees of Employers Mutual Casualty	
--	--

Federation	50 00
------------------	-------

Merger expenses	317 48
-----------------------	--------

Dividends to members.....	10,300 87
---------------------------	-----------

Total disbursements	45,523 48
---------------------------	-----------

Balance	\$54,996 70
---------------	-------------

Ledger Assets

Deposits in banks.....	\$39,946 81
------------------------	-------------

Premiums in course of collection.....	3,935 24
---------------------------------------	----------

Equity in Mutual Corporations Reinsurance Fund.....	8,222 88
---	----------

Advance to Knickerbocker Mutual Liability Insurance Com-	
--	--

pany	1,000 00
------------	----------

Unearned reinsurance premiums due from Prudential Casualty	
--	--

Company	327 95
---------------	--------

Due from John R. Waters Company for furniture.....	125 00
Due from Lee J. Wolfe for over-payment of commissions.....	1,438 82

Total ledger assets March 31, 1917 (before merger).....	\$54,996 70
---	-------------

On March 31, 1917, the date the merger agreement was consummated, the following non-ledger assets were brought on to the ledger:

Unearned reinsurance premiums:

London Lloyds	\$1,222 26
---------------------	------------

Less unpaid reinsurance premiums:

London Lloyds	\$126 97
---------------------	----------

Mutual Corporations Reinsurance	
---------------------------------	--

Fund	97 67
------------	-------

	224 64
--	--------

	997 62
--	--------

Total	\$55,994 32
-------------	-------------

Disbursements were made to the Knickerbocker Mutual at the time of the merger transaction aggregating.....	18,804 11
--	-----------

In consideration of which the Knickerbocker assume the unearned premium liability of the Industrial.

Ledger assets March 31, 1917 (after merger).....	\$37,190 21
--	-------------

The following is a statement of income and disbursements from April 1, 1917 to June 30, 1917, inclusive, and of assets and liabilities on the latter date:

Income

Net premiums:

Workmen's compensation, less \$29.30 reinsurance paid.....	\$1,346 12
--	------------

Premiums refunded on cancelled fidelity bonds.....	10 00
--	-------

Merger expenses refunded.....	122 28
-------------------------------	--------

Interest:

On deposit in banks.....	\$823 20
--------------------------	----------

On equity in Mutual Corporations Reinsurance	
--	--

Fund	136 43
------------	--------

	959 63
--	--------

Total income	\$2,438 03
--------------------	------------

Ledger assets March 31, 1917.....	37,190 21
-----------------------------------	-----------

Total	\$39,628 24
-------------	-------------

Disbursements

Losses:

Workmen's compensation	\$3,938 21
------------------------------	------------

Investigation and settlement of claims.....	25 15
---	-------

Commissions to manager.....	451 97
Expenses Compensation Inspection Rating Board	400 34
Inspections	8 60
Expenses Mutual Corporation Reinsurance Fund	72 38
Auditing books	125 00
Salary of secretary.....	250 00
Federal income tax.....	14 52

Total disbursements	5,286 17
---------------------------	----------

Balance	\$34,342 07
---------------	-------------

Ledger Assets

Deposits in banks.....	24,393 85
------------------------	-----------

	On policies and audits effective on and after April 1, 1917	On policies and audits effective prior to April 1, 1917	
Premiums in course of collection.....	\$1,213 99	\$169 32	
			1,383 31

Equity in Mutual Corporations Reinsurance Fund.....	7,346 73
---	----------

Unearned reinsurance premiums:

Prudential Casualty Company.....	\$327 95	
London Lloyds	813 23	
		1,141 18

Accounts receivable	77 00
---------------------------	-------

Total ledger assets.....	\$34,342 07
--------------------------	-------------

Non-Ledger Assets

Excess of equity in Mutual Corporations Reinsurance Fund over ledger asset.....	91 48
---	-------

Audited additional premiums.....	8,662 39
----------------------------------	----------

	\$43,095 94
--	-------------

Deduct Assets Not Admitted

Premiums in course of collection on policies and audits effective prior to April 1, 1917.....	\$169 32
---	----------

Unearned reinsurance premiums:

Prudential Casualty Company.....	327 95
London Lloyds	813 23

Accounts receivable	77 00
---------------------------	-------

	1,387 50
--	----------

Admitted assets	\$41,708 44
-----------------------	-------------

Liabilities

Workmen's compensation loss reserves.....	\$13,805 63
Unpaid commissions (estimated).....	1,500 00
Unpaid taxes (estimated).....	200 00
Estimated expenses State Industrial Commission.....	522 00
Unpaid reinsurance premiums	125 00
Total liabilities	\$16,152 63
Surplus	25,555 81
Total	\$41,708 44

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METROPOLITAN MUTUAL LIABILITY INSURANCE COMPANY

NEW YORK CITY

*Examined to ascertain condition June 30, 1917.**Report dated November 23, 1917.**Examiners: W. A. Billingham, F. H. French.**ORGANIZATION AND HISTORY*

The company was incorporated June 8, 1914, pursuant to the provisions of article 5-A of the Insurance Law, and was authorized to transact workmen's compensation, liability, and property damage insurance.

Officers

Benjamin D. Traitel.....	President.
Richard Moller.....	Vice-President.
Avon C. Burnham, Jr.....	Treasurer.
Edward B. Brooks.....	Secretary.
Herbert W. Heyer.....	Assistant Treasurer.
Lee J. Wolfe.....	Actuary.

Directors

Benjamin D. Traitel, of Traitel Marble Co., Long Island City.
 Edward B. Brooks, of Bramhall, Deane & Co., 261 West 36th St., New York City.
 Richard Moller, of Sloane & Moller, Inc., 316 East 65th St., New York City.
 Charles F. Sanford, of Lieberman & Sanford Co., 623 West 57th St., New York City.

Herman Plaut, of L. Plaut & Co., 432 East 23d St., New York City.

William Schlichter, of P. M. & W. Schlichter, First Ave. & 27th St., New York City.

A. C. Morrison, of Bournonville Welding Co., 241 West 64th St., New York City.

Louis I. Haber, of H. H. Upham & Co., 508 W. Broadway, New York City.

Avon C. Burnham, Jr., of Black & Boyd Mfg. Co., 17 East 47th St., New York City.

Herbert W. Heyer, of William H. Jackson Co., 2 West 47th St., New York City.

Herman Petri, of Herman Petri, Inc., 123 East 29th St., New York City.

E. W. Holland, of Horn-Holland Co., Long Island City.

Frank Williams, West 4th & Charles Sts., New York City.

David G. Morrison, Long Island City.

George M. Wheeler, of The Maintenance Co., 417 Canal St., New York City.

Walter S. Thompson, of Klee-Thompson Co., 327 East 40th St., New York City.

On November 19, 1914, a contract was entered into with Mr. Lee J. Wolfe, under the terms of which Mr. Wolfe became manager of the company. This contract provided that Mr. Wolfe should receive fifteen per cent of the premium income, plus ten per cent of the net profits, and in consideration therefor he agreed to act as manager, actuary and underwriter, also to furnish an office, clerical staff, stationery, postage, etc.

This contract remained in full force and effect until March 31, 1917, when it was cancelled by mutual consent. Upon the same date a tripartite contract was entered into by the Metropolitan Mutual Liability Insurance Company, the Industrial Mutual Liability Insurance Association, and the Knickerbocker Mutual Liability Insurance Company. The name of the Knickerbocker Company was subsequently changed to the Allied Mutuals Liability Insurance Company, pursuant to the terms of said contract.

Under the terms of this contract the business of the Metropolitan and Industrial companies was merged with the Knickerbocker company. It was agreed that the Knickerbocker should assume the payment of all the policy obligations of the Metropolitan and Industrial companies thereafter incurred, and that in consideration therefor all unearned premiums of the Metropolitan and Industrial should become the property of the Knickerbocker, and that

thereafter such policies should be deemed to be the policies of the Knickerbocker.

It was further agreed that all policy obligations of the Metropolitan and Industrial incurred prior to the date of merger should continue to be the obligations of said companies, respectively, and adjusted by the Knickerbocker as trustee, and that all surplus or profit should revert to the members of the respective companies.

Both the Metropolitan and Industrial ceased the writing of policies of insurance upon the merger date and have had no policies in force since that time.

FINANCIAL STATEMENT

The following is a statement of income and disbursements from July 1, 1916, to March 31, 1917, and of ledger assets on the latter date.

<i>Income</i>	
<i>Net premiums:</i>	
Workmen's compensation, less \$2,285.74 reinsurance paid	\$33,979 17
Liability, less \$226.87 reinsurance paid.....	4,698 26
Total net premiums.....	\$38,677 43
<i>Interest:</i>	
On bank deposits.....	\$514 56
On equity in Mutual Corporations Reinsurance Fund	93 10
Total interest	607 66
Total income	\$39,285 09
Ledger assets June 30, 1916.....	31,021 84
Total	\$70,306 93
<i>Disbursements</i>	
<i>Losses:</i>	
Workmen's compensation	\$15,467 07
Liability	438 60
Total losses	15,905 67
<i>Investigation and settlement of claims:</i>	
Workmen's compensation	\$274 23
Liability	57 50
	331 73
Commissions to manager.....	7,976 19

Directors' fees	660 00
Expenses of Compensation Inspection Rating Board.....	375 00
Inspections	32 21
Expenses of Mutual Corporations Reinsurance Fund.....	64 13
Legal expenses (other than for investigation and settlement of claims)	1,065 17
Reducing book value of bonds of Mutual Corporations Rein- surance Fund to par value.....	34 54
Printing and stationery.....	15 80
Revenue stamps	13 25
Auditing company's books.....	200 00
Protest fees	1 60
Bank exchange	19
Merger expenses	120 34
Dividends to members (20 per cent).....	5,202 77
Premiums charged off.....	20 92

Total disbursements	\$32,019 51
Balance	38,287 42
	\$70,306 93

Ledger Assets

Deposits in banks.....	\$28,772 53
Premiums in course of collection.....	3,990 91
Equity in Mutual Corporations Reinsurance Fund.....	4,606 94
Advance to Knickerbocker Mutual Liability Insurance Com- pany as trustee	750 00
Unearned reinsurance due from Prudential Casualty Company.	167 04

Total ledger assets March 31, 1917 (before merger)..... \$38,287 42

On March 31, 1917, the date the merger agree-
ment was consummated, the following non-ledger
assets were brought onto the ledger:

Unearned reinsurance premiums:

London Lloyds	\$448 16
Contractors' Mutual	139 92
Prudential Casualty Company.....	44 02

Total \$632 10

Less unpaid reinsurance premiums:

London Lloyds	\$44 02
Contractors' Mutual	15 34
Mutual Corporations' Reinsurance Fund	57 83

117 19

514 91

Total \$38,802 33

Disbursements were made to the Knickerbocker Mutual at the time of the merger transaction aggregating..... 12,314 13
 In consideration of which the Knickerbocker assumed the un-earned premium liability of the Metropolitan.

Ledger assets March 31, 1917 (after merger)	\$26,488 20
---	-------------

The following is a statement of income and disbursements from April 1, 1917, to June 30, 1917, inclusive, and of assets and liabilities on the latter date:

*Income**Net premiums:*

Workmen's compensation, less \$17.35 reinsur-	
ance paid	\$2,682 92
Liability, including \$4.35 reinsurance returned.	165 87

Total net premiums	\$2,848 79
--------------------------	------------

Interest:

On bank deposits	\$80 31
Equity in Mutual Corporations Reinsurance Fund	75 45

Total interest	155 76
----------------------	--------

Total income	\$3,004 55
--------------------	------------

Ledger assets March 31, 1917	26,488 20
------------------------------------	-----------

Total	\$29,492 75
-------------	-------------

*Disbursements**Losses paid:*

Workmen's compensation	\$6,854 13
Liability	530 00

Total Losses	7,384 13
--------------------	----------

Investigation and settlement of claims:

Workmen's compensation	\$121 80
Liability	21 75

	143 55
--	--------

Commissions to Manager	130 46
------------------------------	--------

Expense of Compensation Inspection Rating Board	125 00
---	--------

Inspections	2 10
-------------------	------

Expense of mutual Corporations' Reinsurance Fund	40 57
--	-------

Auditing company's books	100 00
--------------------------------	--------

State taxes on premiums	438 68
Federal income tax	12 60

Total disbursements	\$8,377 09
Balance June 30, 1917.....	21,115 66

Ledger Assets

Deposits in banks.....	\$12,504 75
------------------------	-------------

	On policies and audits after April 1, 1917	On policies and audits prior to April 1, 1917	
Premiums in course of collection:			
Workmen's compensation.....	\$2,699 21	\$891 91	
Liability	153 55	183 81	
Totals	\$2,852 76	\$1,075 72	3,928 48
Equity in Mutual Corporations' Reinsurance Fund.....			4,134 51

Unearned reinsurance premiums:

Prudential Casualty Co.....	\$171 39	
London Lloyds	251 95	
Contractors' Mutual Liability Ins. Co. of Boston	124 58	547 92

Total ledger assets	\$21,115 66
---------------------------	-------------

Non-Ledger Assets

Equity in Mutual Corporations' Reinsurance Fund in excess of amount shown by books	54 50
Audited additional premiums	7,348 21

Deduct Assets Not Admitted

\$28,518 37

Premiums in course of collection on policies and audits effective prior to April 1, 1917.....	\$1,075 72
---	------------

Unearned reinsurance premiums:

Prudential Casualty Co.....	171 39	
London Lloyds	251 95	1,499 06

Admitted assets	\$27,019 31
-----------------------	-------------

Liabilities

Workmen's compensation loss reserve.....	\$7,136 53
Liability loss reserve	3,639 31
Commissions (estimated)	1,600 00
Unpaid taxes (estimated)	250 00
Estimated expenses State Industrial Commission.....	700 00
Unpaid reinsurance premiums	400 00

Total liabilities	13,725 84
Surplus	13,293 47

Total	\$27,019 31
-------------	-------------

Reinsurance

The company is a member of the Mutual Corporations' Reinsurance Fund, which furnishes protection against compensation losses in excess of \$25,000, which may result from a single accident. Similar reinsurance is carried with Lloyds of London covering losses from \$100,000 to \$500,000. Until July 27, 1916, similar reinsurance from \$10,000 to \$25,000 was carried with Lloyds of London, and with the Contractors Mutual Liability Insurance Company from July 27, 1916, to February 1, 1917. Although the latter contract was cancelled as of February 1, 1917, so far as new business was concerned, it remained effective with respect to premiums earned prior to the cancellation date subsequently disclosed upon payroll audits.

UTICA MUTUAL COMPENSATION INSURANCE CORPORATION

UTICA, N. Y.

Examined to ascertain condition June 30, 1917.

Report dated September 17, 1917.

Examiners: W. A. Billingham, F. H. Trench.

HISTORY AND ORGANIZATION

The company was incorporated February 15, 1914, under the provisions of Article 5-A of the Insurance Law, and writes workmen's compensation, liability and property damage insurance.

Officers

D. DeW. Smyth.....	President and Assistant Treasurer.
Fred S. Kellogg.....	Vice-President.
F. E. Barbour	Vice-President.
John L. Train.....	Secretary and General Manager.
Merwin K. Hart.....	Treasurer and General Counsel.
Ralph L. Marsden.....	Assistant General Manager.

Directors

J. F. Amos, secretary and treasurer of Taggart Bros. Co., Watertown.

F. E. Barbour, secretary of Beechnut Packing Co., Canajoharie.

Henry Burden, 2d president of Cazenovia Canning Co., Cazenovia.

John P. Campbell, treasurer of Walcott & Compbell Spinning Co., New York Mills.

Wm. H. Crosby, president of The Crosby Co., Buffalo.

Beecher M. Crouse, vice-president and treasurer of Avalon Knitting Co., Utica.

Bradford H. Divine, president of Divine Bros. Co., Utica.

George E. Dunham, president of Utica Daily Press Co., Utica.

R. S. Eaton, treasurer of Norwich Pharmacal Co., Norwich.

Wm. B. Foster, vice-president of Foster Bros. Mfg. Co., Utica.

Norman J. Gould, president of Gould Mfg. Co., Seneca Falls.

Merwin K. Hart, secretary and treasurer of Hart & Crouse Co., Utica.

J. Lin Hughes, general manager of American Hard Wall Plaster Co., Utica.

Frederick S. Kellogg, president C. C. Kellogg & Sons Co., Utica.

Frederick W. Kincaid, vice-president of Brandegee, Kincaid & Co., Utica.

M. Crouse Klock, Syracuse.

Quentin McAdam, vice-president and manager of Utica Knitting Co., Utica.

F. S. Munger, vice-president and treasurer of Horrocks Disk Co., Herkimer.

Henry K. Smith, president of Gurney Ball Bearing Co., Jamestown.

D. DeW Smyth, president and treasurer of Smyth-Despard Co., Utica.

George Tait, president of Imperial Wall Paper Co., Glens Falls.

John L. Train, secretary and general manager of the company, Utica.

C. E. Van Zandt, president of Van Zandt, Jacobs & Co., Troy.

G. C. Williams, vice-president and secretary of Chalmers Knitting Co., Amsterdam.

FINANCIAL STATEMENT

The following is a statement of income and disbursements from July 1, 1916, to June 30, 1917, inclusive, and of assets and liabilities on the latter date:

Income

Net premiums:

Workmen's compensation, less \$5,171.34 reinsurance paid	\$325,832 87
Liability	14,224 45
Auto and teams property damage.....	1,137 98

Total	\$341,195 30
-------------	--------------

Interest:

On bank deposits	\$3,600 67
On bonds	2,637 03
On equity in Mutual Corporations Reinsurance Fund	820 22
From other sources	4 27

Total interest	7,062 19
Income tax withheld	30 00

Total income	\$348,287 49
Ledger assets June 30, 1916.....	151,886 30

Total	\$500,173 79
--------------------	---------------------

*Disbursements**Losses paid:*

Workmen's compensation	\$155,319 03
Liability	472 00
Auto and teams property damage.....	353 61

Total losses paid	\$156,144 64
-------------------------	--------------

Investigation and settlement of claims:

Workmen's compensation	\$3,864 48
Liability	66 70
Auto and teams property damage.....	9 26

3,940 44

Salaries of officers	15,249 70
----------------------------	-----------

Fees of directors	1,080 00
-------------------------	----------

Salaries of home office employees.....	5,729 80
--	----------

Traveling expenses	2,261 46
--------------------------	----------

Expenses of compensation Inspection Rating Board.....	1,633 64
---	----------

Expenses of Inspection Department:

Salaries of inspectors.....	\$3,590 73
-----------------------------	------------

Traveling expenses	1,417 80
--------------------------	----------

Printing and stationery	782 10
-------------------------------	--------

Inspections by Rating Board	153 36
-----------------------------------	--------

Advertising	231 32
-------------------	--------

Miscellaneous	13 40
---------------------	-------

6,188 71

Rents	862 48
-------------	--------

State taxes on premiums	2,354 68
-------------------------------	----------

Federal income tax.....	100 29
-------------------------	--------

Federal stamp tax	12 36
-------------------------	-------

Insurance department fees.....	45 33
--------------------------------	-------

Membership fees in Employers Mutual Casualty Federation..	60 00
---	-------

Legal expense (other than investigation and settlement of claims)	11 00
---	-------

Advertising	2 60
-------------------	------

Printing and stationery	1,621 75
-------------------------------	----------

Postage	1,605 14
---------------	----------

Telephone and telegraph	660 99
-------------------------------	--------

Freight and express	23 15
---------------------------	-------

Furniture and fixtures	1,135 79
------------------------------	----------

Subscriptions, books and manuals	400 70
--	--------

Payroll auditing	717 04
------------------------	--------

Soliciting	2,206 60
------------------	----------

Expenses of Mutual Corporation Reinsurance Fund.....	550 99
--	--------

Auditing company's books	150 00
--------------------------------	--------

Fidelity bonds premiums.....	120 46
------------------------------	--------

Moving furniture to new office.....	65 00
-------------------------------------	-------

Dividends	28,371 46
-----------------	-----------

Income tax withheld	45 25
---------------------------	-------

Miscellaneous	857 83
Decrease in book value of ledger assets.....	200 87

Total disbursements	\$234,409 55
---------------------------	--------------

Balance	\$265,764 24
---------------	--------------

Ledger Assets

Book value of bonds	\$100,800 12
Cash in office	100 00
Deposits in banks and trust companies.....	91,678 79

	On policies effective on and after April 1, 1917	On policies effective prior to April 1, 1917	
<i>Premiums in course of collection:</i>			
Workmen's compensation	\$34,994 68	\$1,620 35	
Liability	5,067 03	62 48	
Auto and teams property damage....	216 17	6 40	

Totals	\$40,277 88	\$1,689 23	41,967 11
Equity in Mutual Corporations Reinsurance Fund.....			31,218 22

Total ledger assets	\$265,764 24
---------------------------	--------------

Non-Ledger Assets

Accrued interest on bonds	1,979 77
Additional premiums on audits.....	62,800 60

Total Assets	\$330,544 61
--------------------	--------------

Deduct Assets not Admitted

Premiums in course of collection on policies effective prior to April 1, 1916.....	\$1,689 23	
Book value of bonds over market value.....	1,598 12	3,287 35
Total admitted assets.....		\$327,257 26

Liabilities

Workmen's compensation loss reserve.....	\$159,268 20
Liability loss reserve.....	8,339 45
Unearned premium reserve	72,594 45
Expenses State Industrial Commission	5,000 00
Unpaid reinsurance premiums	1,235 00
State taxes on premiums.....	1,822 00
Federal income tax.....	23 00
Unpaid bills	675 00

Total liabilities	\$248,957 10
-------------------------	--------------

Special contingent surplus.....	\$58,323 82	
Divisible surplus	19,976 34	
Total surplus		78,300 16
Total		\$327,257 26

REINSURANCE

The company is a member of the Mutual Corporations Reinsurance Fund. Under the terms of the mutual agreement entered into by the various member-companies, each company is protected against any loss in excess of \$25,000 which may result from a single accident. The company has also procured reinsurance from Lloyds of London which provides for reimbursement for any losses in excess of \$100,000, but not exceeding \$500,000 which may result from a single accident.

UTILITIES MUTUAL INSURANCE COMPANY

NEW YORK CITY

Examined to ascertain condition June 30, 1917.

Report dated April 23, 1918.

Examiner: F. H. Trench.

HISTORY AND ORGANIZATION

The company was incorporated April 15, 1914, under the provisions of Article 5A of the Insurance Law, and writes workmen's compensation insurance only.

Officers

James T. Hutchings.....	President.
E. H. Letchworth.....	Vice-President.
C. H. B. Chapin.....	Secretary.
H. L. Mann.....	Treasurer.
C. E. Morrison.....	Assistant Treasurer and General Manager.

Directors

Elton H. Beals, of Strebel, Corey, Tubbs & Beals, Buffalo, N. Y.

H. M. Buegler, operating manager of the Central Hudson Gas & Electric Co., Poughkeepsie, N. Y.

W. A. Butterick, manager of the Adirondack Electric Power Corporation, Glens Falls, N. Y.

C. H. B. Chapin, secretary of the Empire State Gas & Electric Association, New York City.

P. T. Hanscom, of W. S. Barstow & Co., New York City.

James T. Hutchings, vice-president and general manager of the Rochester Railway & Light Co., Rochester, N. Y.

E. H. Letchworth, of Kenefick, Cooke, Mitchell & Bass, Buffalo, N. Y.

W. E. Lewis, vice-president of the Utica Gas & Electric Co., Utica, N. Y.

H. L. Mann, treasurer of the Buffalo General Electric Co., Buffalo, N. Y.

E. H. Palmer, president of the Empire Gas & Electric Co., Geneva, N. Y.

Henry W. Peck, general manager of the Schenectady Illuminating Co., Schenectady, N. Y.

J. M. Sheehan, vice-president of the Suffolk Light, Heat & Power Co., New York City.

E. H. Rosenquest, president and general manager of the Bronx Gas & Electric Co., Westchester, N. Y.

FINANCIAL STATEMENT

The following is a statement of income and disbursements from July 1, 1916, to June 30, 1917, inclusive, and of assets and liabilities on the latter date:

Income

Net premiums written, less \$5,776.90 reinsurance paid.....	\$225,264 10
---	--------------

Interest:

On bonds	\$6,997 73
On bank deposits	533 84
On deposit with State Industrial Commission	462 22
Miscellaneous	2 27

Total interest	7,996 06
Employees Liberty Bond subscriptions.....	45 00

Total income	\$233,305 16
Ledger Assets, June 30, 1916.....	139,715 92

\$373,021 08

Disbursements

Workmen's compensation losses.....	\$18,131 12
Investigation and adjustment of claims.....	73 17
Legal expenses in connection with claims.....	477 50
Commissions	24,771 76
Salaries of officers	3,823 34
Salaries of employees	4,552 59
Traveling expenses of officers.....	544 02

Traveling expenses of employees.....	1,427 18
Directors fees and expenses.....	2,825 49
Rent	600 00
Income tax	90 02
State tax on premiums.....	1,673 11
Expenses Compensation Inspection Rating Board.....	500 00
Advertising	187 75
Printing and stationery	1,029 93
Postage, telegraph, telephone and express.....	243 78
Furniture and fixtures	22 00
Dividends paid, less \$2,502.10 returned on overpayments of previous year	28,861 02

Membership fees in organization:

National Safety Council	\$75 00
Empire State Gas & Electric Association....	15 00
Insurance Federation State of N. Y.....	10 00
New York Claim Association.....	10 00

110 00

Books, rates, periodicals, etc.....	87 87
Safe deposit box	21 27
Compensation insurance on employees	95 15
Fidelity bonds	193 81
Auditing books	750 00
Bank exchange	17 68
Moving expenses and repairing office.....	62 93
Miscellaneous	179 42

Total Disbursements	\$91,351 91
Less refund of "Trust Fund" expenses.....	575 28

\$90,776 63

Balance	282,244 45
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Total	\$373,021 08
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Ledger Assets

Bonds	\$219,481 25
Cash in office	350 00
Cash in banks	60,009 51
Notes receivable	40 00
Premiums in course of collection (net).....	104 89
Furniture and fixtures	2,258 80

Total ledger assets	\$282,244 45
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Non-Ledger Assets

Interest due and accrued on bonds.....	2,726 73
Additional premiums on audits.....	20,894 65

Gross assets	\$305,865 83
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Deduct Assets Not Admitted

Book value of bonds over market value.....	\$3,831 25	
Notes receivable	40 00	
Premiums in course of collection on policies or renewals effective prior to April 1, 1917....	260 24	
Furniture and fixtures	2,258 80	
		6,390 29

Total admitted assets	\$299,475 54
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Liabilities

Reserve for unpaid workmen's compensation losses.....	\$120,257 02
Unearned premium reserve	2,390 36
Unpaid reinsurance premiums	8,318 68
Unpaid taxes (estimated)	1,000 00
Unpaid bills	1,875 00
Employees' Liberty Bond subscriptions.....	45 00
Expenses State Industrial Commission.....	885 61
Certificate holders surplus fund reserve including \$3,285.48 interest on same	46,899 47

Total liabilities	\$181,671 14
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Special contingent surplus	\$43,410 18
Divisible surplus	74,394 22

Total surplus	117,804 40
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Total	\$299,475 54
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Assessment Life and Accident Associations

[647]

COLUMBIAN PROTECTIVE ASSOCIATION

BINGHAMTON, N. Y.

Examined to ascertain condition December 31, 1917.

Report dated March 22, 1918.

Examiner: J. F. Tucker.

FINANCIAL STATEMENT

Ledger Assets

Book value of bonds.....	\$16,468 06
Cash in banks, not on interest.....	1,394 50
Cash on deposit in Binghamton Trust Company (in liquidation).....	2,867 37
Cash in home office.....	52 36
Cash in New York Office.....	917 51
Cash in Rochester office.....	118 10
Furniture and fixtures.....	1,900 54
Supplies.....	3,725 60

Total ledger assets.....	\$27,444 04
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Non-Ledger Assets

Interest accrued on bonds.....	\$2,527 39
Assessments in course of collection, on December Call, less commissions.....	1,200 00

Total non-ledger assets.....	3,727 39
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Gross assets.....	\$31,171 43
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Assets Not Admitted

Book value of bonds over market value.....	\$1,475 00
Balance in Binghamton Trust Co.....	2,867 37
Furniture and fixtures.....	1,900 54
Supplies.....	3,725 60
Interest accrued on railroad bonds in default..	293 00

Total assets not admitted.....	10,261 51
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Total admitted assets.....	\$20,909 92
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Liabilities

Death claims.....	\$1,730 00
Sick and accident claims.....	868 50
Unpaid bills.....	13 25

Assessments paid in advance.....	90 00
Reserve under section 205.....	191 50
Total liabilities	2,893 25
Excess of admitted assets over liabilities.....	\$18,016 67

The income and disbursements during the year ended December 31, 1917, were as follows:

Balance, ledger assets, December 31, 1916.....	\$24,757 37
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Income

First year's assessments.....	\$5,303 17
Subsequent years' assessments.....	30,610 90
Interest on bonds.....	962 29
Furniture, fixtures and supplies carried to ledger assets by association.....	5,626 14
Sale of furniture and fixtures prior to above adjustment	17 00
Total income	42,519 50
Total	\$67,276 87

Disbursements

Death claims	\$2,978 50
Disability claims	7,456 49
Dividends to members.....	385 12
Commissions to agents, first year.....	1,525 79
Commissions to agents, subsequent years.....	6,931 32
Salaries of officers.....	6,100 00
Salary of chief medical examiner.....	1,400 00
Salaries of office employees.....	2,420 67
Salaries of agents.....	2,950 00
Agents' balances charged off.....	1,217 23
Advertising, printing and stationery.....	660 99
Rents	1,700 00
Traveling expenses	414 86
Medical examiner's fees.....	246 38
Interest on borrowed money.....	92 50
Borrowed money repaid.....	1,500 00
Postage, express, telephone, etc.....	661 42
Insurance Department fees and licenses.....	43 50
State tax on premiums.....	47 97
War tax	6 17

Legal expenses	579 80	
Miscellaneous expenses	514 12	
Total disbursements		39,832 83
Balance, ledger assets, December 31, 1917.....		\$27,444 04

Cash in Offices

The cash in the home office and in the New York office was verified by counting the cash in the offices at the time the examination was made and checking back to December 31st. The cash in the Rochester office was not verified. Such verification would have necessitated a special trip to Rochester which the small amount involved would not warrant.

Bonds

On December 31, 1917, the association owned the following bonds:

	<i>Book value</i>	<i>Par value</i>	<i>Market value</i>
Ark., Okla. & West. R. R. 6s, 1947	\$1,950 00	\$2,000 00	\$500 00
Columbia & Montour Elec. Co. 5s, 1943	500 00	500 00	475 00
Oklahoma City 6s, 1914.....	4,597 97	4,597 97	4,597 97
Oklahoma City 6s, 1915.....	1,498 20	1,498 20	1,498 20
Oklahoma City 6s, 1916.....	1,959 31	1,959 31	1,959 31
Oklahoma City 6s, 1917.....	962 58	962 58	962 58
Oklahoma City 6s, 1918.....	3,000 00	3,000 00	3,000 00
Oklahoma City 6s, 1920.....	2,000 00	2,000 00	2,000 00
	\$16,468 06	\$16,518 06	\$14,993 06

The Arkansas, Oklahoma and Western Railroad bonds are in the possession of the Real Estate Trust Company of Philadelphia, whose receipt the association holds, subject to the order and control of a bondholders committee. This railroad went into the hands of a receiver some years ago.

The Oklahoma City bonds which matured in 1914, 1915, 1916 and 1917 are being gradually paid off. All overdue payments draw interest at the rate of 10 per cent from date of maturity to date of payment. During the year 1917, \$2,719.49 was paid on account of principal and \$637.29 on account of interest. As each payment is made the interest on the amount paid is computed

and paid with the principal. On account of this practice the accrued interest on the unpaid principal amounts to a considerable sum.

Expenses of Management

The assessments and commission appearing in the foregoing statement of income and disbursements are only those actually entered on the books of the association. In addition to the commissions regularly paid, the agents are permitted to retain the policy fee and the first monthly assessment on each new policy issued. The association has no means of knowing whether such fees and assessments are actually collected by the agent or not. It has been the practice of the association to estimate the total amount of the first monthly assessments each year and, for annual statement purposes, to add the same to the amount of assessments actually received and to the commissions actually paid. Such procedure increases largely the ratio of expenses of management to premium income.

The ratio of the expenses of management to assessments actually received, for the year 1917, was 76.3 per cent. Including the first monthly assessment as estimated by the association, it was 78.6 per cent, and including both the first monthly assessment and the policy fee, it was 81.3 per cent. It is obvious that too high a ratio of income is used for expenses and it should be lowered by the reduction of salaries.

ORGANIZATION AND PLANS OF INSURANCE

The name of this association was originally the American Protective Association, it was incorporated in 1882 and its home office was in Brooklyn, N. Y. In 1907 it removed to Binghamton, N. Y., and the name was changed to The Columbian Protective Association.

The association is authorized to do business in the States of New York and Pennsylvania only.

The total number of certificates in force at the end of 1917 was approximately 3,395, representing insurance to the amount of \$427,140.

Five-Year Dividend Class

The association commenced writing certificates under this plan in 1907. The history of this plan, both in this association and in other societies and associations doing a similar kind of business, has been fully covered in previous reports on examinations. During the year 1917 about fifteen certificates in this class matured and dividends aggregating \$385.12 were paid to the members holding them, the dividend computation being approved by the Insurance Department.

There are now seven of these old dividend certificates in force, two of them maturing in 1918, three in 1919, and two in 1922. These were taken out under the renewal privilege in the original certificates. The assessment on each certificate now in force is two dollars per month.

CLAIM SETTLEMENTS

In November, 1914, your examiner submitted a report on the claim settlements of this association. In general the statements made in said report apply at the present time.

The policy provides that the insured may not draw sick or accident benefits unless visited at least twice a week by a physician. In the previous report I stated that this provision was literally construed, and such is the case at the present time. In rejecting such a claim early in 1917 the medical examiner wrote: "Two visits are positively required covering one full week of total disability in order that the claim may be approved."

A few claims are rejected because of the nonpayment of the current monthly assessment prior to the date of accident, or ten days prior to the date upon which illness commenced. Some late payments of assessments are undoubtedly made after the beginning of a disability with the express intention of afterward putting in a claim. However, the conditions in each individual case should be considered. If the policyholder has previously paid his assessments on the first of the month and, after making a delinquent payment, files a claim within the time limit prohibited by the terms of the policy, such claim deserves little consideration. But if the agent has habitually collected, and the association has accepted, assessments after the due date, that fact should be con-

sidered. As the only proof of previous late payments is the claimant's receipt book, and as such receipt books were, of course, not available for the inspection of your examiner, I am unable to say that such settlements were unfair to the claimants. In cases where the correspondence shows that the receipt book was sent for and inspected at the home office and the claim subsequently rejected without protest from the claimant it is safe to assume that no injustice was done.

It appears to be the general assumption of the medical examiner that a claimant suffering from a chronic ailment must have been subject to the same before the policy was issued. Such condition is extremely difficult to prove. These cases are generally the cause of much dissatisfaction and, while not numerous, occupy a conspicuous place among contested settlements and frequently find their way to the insurance departments for adjustment.

Some claims are rejected, notices of which were found to be only a few days late, the only reason given to the claimant being late notice. Such rejections are not numerous and investigation usually revealed a further reason, such as a trivial illness or complete recovery of the patient before notice was received.

During the year 1917 the association collected premiums amounting to \$35,914.07 and paid out in settlement of claims \$10,434.99 or 29.05 per cent.

OFFICERS

The following are the present officers of the association: President, F. L. Andrews; vice-president, C. L. Andrews; secretary-treasurer, F. MacKnight.

The president's salary for the year 1917 was \$4,200. The secretary and treasurer received \$1,400 as an officer and the same amount as chief medical examiner. The vice-president draws no salary. The officers are not under bond.

DE WITT CLINTON READY RELIEF ASSOCIATION

BROOKLYN, N. Y.

Examined to ascertain condition August 17, 1917.

Report dated August 18, 1917.

Examiner: Morris Finkelstone.

FINANCIAL STATEMENT

Ledger Assets

Cash in bank.....	\$248 11	
Cash in hands of secretary.....	4 08	
Total assets		\$252 19

Liabilities

Death claims (2)		1,000 00
Excess of liabilities over assets.....		\$747 81

The income and disbursements for the period from January 1, 1917, to August 17, 1917, inclusive, were as follows:

Balance in hands of treasurer January 1, 1917, as per records	\$303 46
Balance in hands of secretary January 1, 1917, not turned over to treasurer, as per records.....	45 28
Total balance January 1, 1917.....	\$348 74

Income

Dues	\$239 00	
Assessments	3,206 08	
Assessments, special reserve fund.....	411 02	
Interest	3 56	
Miscellaneous	2 59	
Total income		3,862 25
Total		\$4,210 99

Disbursements

Death claims	\$3,800 00	
Salaries	75 00	
Rent	8 00	
Advertising and printing.....	37 25	
Postage	21 32	
Miscellaneous	17 23	
Total disbursements		3,958 80
Balance, ledger assets, August 17, 1917.....		\$252 19

Assessments Paid in Advance

The secretary has on hand, in addition to the above amount, the sum of \$31.40, representing assessments paid in advance.

This is deposited in a separate account and is held to be a trust fund. Hence, it has not been included as an asset or liability.

Death Claims

The death claims unpaid number two and the liability for same has been entered in this report at \$500 each. However, we are informed that arrangements have been made to compromise one of the claims at \$200.

ORGANIZATION AND PLANS

This association commenced business January 7, 1885. It admits to membership only members in good standing of the supreme council of the Royal Arcanum between the ages of twenty-one and fifty.

The beneficiary certificate provides for the payment of \$500 from the assessment fund in accordance with and under the provisions of the laws governing said fund. Section 9 of Article 8 of the by-laws provides that "the beneficiary or beneficiaries of any deceased member shall be entitled to receive the amount of one assessment, provided it does not exceed \$500, any excess to constitute a part of the benefit fund, provided, however, if a member shall commit suicide within two years of his admission, such beneficiary or beneficiaries shall not be entitled to receive anything whatsoever."

MEMBERSHIP

The membership of this association as the result of suspensions and increased mortality has been constantly decreasing for a number of years and in 1917 has taken a decided drop.

The following table shows the number of members in good standing on the date indicated:

December 31, 1908	335
December 31, 1909	334
December 31, 1910	329
December 31, 1911	317
December 31, 1912	319
December 31, 1913	300
December 31, 1914	297
December 31, 1915	276
December 31, 1916	260
August 17, 1917	169

OFFICERS AND SALARIES

With the exception of the secretary the officers receive no compensation for their services. The secretary, who does practically all the clerical work of the association, receives the sum of \$150 per annum.

RESOLUTION TO LIQUIDATE

At a meeting of the officers and trustees held August 9, 1917, the following resolution was adopted: "Moved that the affairs of the De Witt Clinton Ready Relief Association be placed in the hands of the Insurance Department for liquidation."

CONCLUSION

In view of the financial condition of this association, and the fact that the management is of the opinion that the association should be discontinued and its affairs closed up, I would respectfully recommend that an application be made to the Supreme Court for an order directing you, as Superintendent of Insurance, to take possession of its affairs for the purpose of liquidation, upon the ground the its continuation in business is hazardous to its members, its creditors and the public.

NEW YORK CASUALTY COMPANY

BUFFALO, N. Y.

Examined to ascertain condition April 30, 1918.

Report dated May 14, 1918.

Examiner: J. F. Tucker.

FINANCIAL STATEMENT

Ledger Assets

Cash in banks.....	\$35 26
Cash in office.....	16 26
Bills receivable.....	150 00
Agents balances	1,160 08

Total ledger assets	\$1,361 60
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Non-Ledger Assets

Assessments called in April and due May 1st.....	1,035 20
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Gross assets	\$2,396 80
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Assets Not Admitted

Bills receivable.....	\$150 00
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Agents balances	1,160 08
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Total assets not admitted.....	1,310 08
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Total admitted assets	\$1,086 72
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Liabilities

Death claims	\$1,000 00
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Claims in litigation	210 00
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Sick and accident claims (estimated).....	1,468 88
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Total claims	\$2,678 88
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Borrowed money.....	1,500 00
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Monthly premiums paid in advance.....	370 20
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Unearned portion of quarterly and annual premiums	663 52
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Reserve under section 205.....	500 00
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Unpaid bills and accounts	80 75
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Total liabilities	5,793 35
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Excess of liabilities over admitted assets.....	\$4,706 63
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A statement of the income and disbursements for the year ended December 31, 1917, has been submitted by the company in its annual statement for said year. The income and disbursements for the four months ended April 30, 1918, were as follows:

Balance, ledger assets, December 31, 1917.....	\$2,774 12
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Income

Assessments	6,859 87
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Total	\$9,633 99
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Disbursements

Borrowed money repaid.....	\$1,000 00
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Claims for specific indemnity.....	80 00
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Claims for health indemnity.....	1,264 62
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Claims for accident indemnity.....	1,050 76
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Salaries of officers	613 34
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Salaries of office employees.....	744 50	
Traveling expenses of officers.....	45 00	
Agents expenses	316 50	
Commissions	1,610 91	
Legal expense	37 25	
Rents	470 50	
Postage, express, telephone and telegraph.....	134 82	
Medical fees	8 00	
Printing and stationery.....	77 65	
Buffalo Agency Company.....	280 23	
Agents traveling expenses.....	19 26	
Claim expenses	42 00	
General expense	68 05	
Agents balances charged off.....	409 00	
Total disbursements	8,272 39	
Balance, ledger assets, April 30, 1918.....	\$1,361 60	

REINSURANCE AGREEMENT

On March 27, 1918, this company entered into an agreement with the Columbian Protective Association, of Binghamton, N. Y., which provides substantially as follows:

The association assumes liability for all policies of the company in force on May 1, 1918.

The association assumes liability for all death and disability claims outstanding on May 1, 1918, whether notice had been received or not, except any claims for which notice had not been received on May 1, 1918, and which had been incurred prior to February 1, 1918. A schedule of all claims reported and unpaid at the time the contract was executed was attached to the contract and made a part thereof.

The said association assumes liability for premiums paid in advance not to exceed \$700 on May 1st.

All liabilities not provided for in the contract are assumed by the New York Casualty Company.

All premiums due May 1st are to be paid to the reinsuring association.

The company turns over to the said association office furniture, fixtures, records, supplies and good will.

The said contract was approved at a meeting of the policyholders of the New York Casualty Company held on April 29,

1918, notice of which meeting was sent to the policyholders on March 29, 1918.

It was made subject to the cancellation of a certain contract made in 1906 between the New York Casualty Company and the Buffalo Agency Company, which transaction has been fully covered in previous reports on the examination of the New York Casualty Company.

The contract with the Buffalo Agency Company was cancelled in consideration of the Columbian Protective Association paying to said company the sum of \$5,000 in monthly installments of \$200 each.

I am informed that the New York Casualty Company will proceed in voluntary liquidation under the provisions of the General Corporation Law, and that the corporation will be duly dissolved as soon as practicable.

There were, on April 30th, approximately 1,500 policies in force.

BORROWED MONEY

The liability for borrowed money represents funds advanced by the officers and directors of the company, and, as the Columbian Protective Association does not assume such liability, the persons who advanced the money will necessarily stand the loss. However, I understand that they will be reimbursed somewhat for this and past contributions by a division of the \$5,000 which is to be paid to the Buffalo Agency Company as a consideration running to this company for the cancellation of its contract with the New York Casualty Company.

Any current bills in excess of the assets of the New York Casualty Company will be paid from funds advanced by the officers for that purpose.

I understand that the agents' balances, which are for the most part uncollectible, will be turned over to the Columbian.

MONTHLY PREMIUMS PAID IN ADVANCE AND UNEARNED PORTION OF QUARTERLY AND ANNUAL PREMIUMS

These two items amount in the aggregate to \$1,033.72. Since the Columbian Protective Association obligates itself to assume advance assessments not to exceed \$700, it is obvious that in the

adjustment between the association and the company the difference of \$333.72 will have to be paid by the New York Casualty Company.

UNPAID CLAIMS

There are three unpaid death claims. The secretary states that one of them, amounting to \$400, will doubtless be paid in full. The other two claims are for \$300 each, that is, the face of the policy as written calls for that amount. On account of the hazardous occupation in which the policyholder was engaged at the time of death the secretary, however, denies liability in excess of \$100 in each case. I have, however, included the claims in the liabilities at the face amount of the policies.

The amount of liability entered for claims in litigation represents in each case the amount sued for. Naturally, the company denies all liability.

The liability for sick and accident claims is estimated on the basis of the number of claims outstanding April 30th at the average amount of each claim paid during 1917. It is probable that the amount thus obtained is in excess of that which will finally be paid.

The present officers of the company are as follows: President, Seymour P. White; secretary, Henry V. Hucker.

ST. LAWRENCE LIFE ASSOCIATION

NEW YORK CITY

Examined to ascertain condition March 30, 1918.

Report dated June 13, 1918.

Examiner: J. F. Tucker.

FINANCIAL STATEMENT

Ledger Assets

Book value of bonds.....	\$3,100 00
Cash in banks on interest.....	24,609 91
Cash in banks not on interest.....	699 00
Cash in office.....	95 52
Premiums in hands of collectors.....	736 45
Deposit with American Surety Company.....	200 00

Agents' debit balances.....	724 26	
Less credit balances.....	50 15	
		674 11
Premium liens and notes.....		36 58
Total ledger assets.....		\$30,151 57
<i>Non-Ledger Assets</i>		
Accrued interest on bonds.....	\$41 71	
Assessments due and unpaid.....	54 53	
Total non-ledger assets.....		96 24
Gross assets.....		\$30,247 81
<i>Assets Not Admitted</i>		
Deposit with American Surety Company.....	\$200 00	
Agents' debit balances.....	724 26	
Premium liens and notes.....	36 58	
Total assets not admitted.....		960 84
Total admitted assets.....		\$29,286 97
<i>Liabilities</i>		
Claims reported and not adjusted.....	\$520 60	
Claims resisted	338 82	
Total claims	\$859 42	
Reserve under section 205, Insurance Law...	154 21	
Total liabilities		1,013 63
Surplus		\$28,273 34

The income and disbursements for the year ended March 30, 1918, were as follows:

Balance, ledger assets, March 31, 1917.....		\$28,994 33
<i>Income</i>		
Assessments	\$30,421 02	
Policy and admission fees.....	139 04	
Interest on bank deposits	1,004 22	
Interest on bonds (net).....	12 48	
Other income	3 73	
Total income		31,580 49
Total		\$60,574 82

Disbursements

Death benefits	\$1,506 05	
Accident benefits	1,945 09	
Sick Benefits	4,028 20	
Commissions to agents.....	5,677 83	
Salaries of managers and agents.....	1,645 41	
Salaries of officers and directors.....	4,686 50	
Salaries of office employees.....	2,912 00	
Medical examiners fees.....	21 20	
Surgeons fees	678 10	
Traveling expenses	797 91	
Collection fees	1,274 38	
Insurance department fees.....	39 00	
Taxes	201 95	
Rent	1,700 88	
Advertising, printing and stationery.....	935 33	
Postage, express, telephone and telegraph....	587 28	
Legal expenses.....	497 56	
Agents balances charged off.....	92 03	
Furniture and fixtures.....	973 40	
General expense	223 15	
Total disbursements		30,423 25
Balance, ledger assets, March 30, 1918.....		\$30,151 57

Assets

The association owns bonds of the First Liberty Loan, 3½ per cent, to the amount of \$1,000 par value, and of the Second Liberty Loan, 4 per cent, to the amount of \$2,100 par value. In the foregoing financial statement said bonds have been allowed as an admitted asset at par.

Cash in savings banks was verified by the pass books in the possession of the association and cash in commercial banks by certificates obtained from the various banking institutions and reconciled with the records of the association.

Premiums in hands of collectors represents collections made by agents and reported to the association as of March 30, 1918, but not deposited in banks until April. Agents in various cities throughout the State make collections and report the same to the home office but instead of sending the money to the home office deposits same in banks in their respective localities in the name of the association.

Unpaid Claims

The liability for claims reported and not adjusted is the actual amount subsequently paid in full settlement of claims incurred up to March 30, in so far as such claims were paid before this examination was completed. The liability for the two or three claims still unpaid was estimated. The liability for claims resisted represents the amount for which suit was brought or judgment since rendered.

ORGANIZATION AND PLANS

The association commenced business in the year 1882. It writes life, health and accident policies on the assessment plan, operating in the States of New York and Pennsylvania only. The different kinds of policies issued are briefly described in the following paragraphs:

Industrial Life Policy

Premiums on this policy are graded according to the age of the member and may be paid monthly, quarterly, semi-annually or annually. The maximum life benefit for which a policy in this class may be written is \$200. The policy is not in force for natural death until after three months from date. Between three and six months from date, one-fourth, between six and nine months, one-half, and between nine and twelve months, three-fourths of the face of the policy is payable for natural death. After one year the full amount of the policy becomes payable.

Loss of both hands, both feet, one hand and one foot or both eyes entitles the policyholder to receive one-half the death indemnity. Loss of one hand, foot or eye, one-fourth of the death indemnity. Any such payment reduces the face of the policy by a like amount.

There are now approximately fifty-five of these policies in force. This is the only life policy now being written. There are a few weekly premium life policies in force but the issue of same has been discontinued.

Weekly Industrial Health and Accident Policy

The premium on this policy is from five cents to fifty cents per week, according to the age of the policyholder and the amount of benefit allowed.

At ages eighteen to forty, five cents per week will purchase a sick benefit of one dollar per week, an accident benefit of \$1.35 per week, a natural death benefit of ten dollars and an accidental death benefit of twenty dollars.

Policies are issued carrying premiums in multiples of five cents up to fifty cents per week in this class, the benefits in each case being the same multiple of those above named as the premium is five cents. For example, a fifty cent premium will purchase ten times the benefits which may be received by the payment of a five cent premium at the same age.

The highest weekly benefit for which a policy may be issued is \$14.30, the highest natural death benefit \$100, and the highest accidental death benefit \$200.

Equity Policy

The association commenced issuing these policies in June, 1911. In addition to the usual health and accident benefits, the policy provides for a natural death benefit of five dollars for each month of continuous membership in good standing up to the commencement of illness causing death, no benefit to exceed \$200.

The policy provides for a dividend as follows:

Within thirty days after the expiration of three years from the date of this policy, and within thirty days after the expiration of each subsequent year during the continuance hereof, the association may credit to this policy, to be used in payment of premiums thereafter becoming due hereon, such equitable share of the surplus reserve accruing annually upon this class of policies, computed on a yearly classified basis, as in the opinion of the board of directors the aggregate of such reserve will warrant, not, however, exceeding a sum equal to one annual premium hereon. In computing such apportionment the relative amount of indemnity previously drawn upon each such policy shall be duly considered.

Dividends of small amounts were paid during the years 1915 and 1916 but the experience in this class has been such that the board of directors did not declare a dividend in 1917.

Cash Dividend Policies

The association commenced writing cash dividend policies in 1907 and ceased in 1910. These policies matured after a term of five years and dividends were payable at the end of the period

according to the net profits in each five-year class. The original issues matured in 1912, 1913, 1914 and 1915. Dividends on said maturities were paid at amounts approved by the Insurance Department. Renewals of the maturities of 1912 did not mature until 1917, therefore no dividends were payable in the year 1916. The experience on the maturities of 1917 was such that no dividends were paid thereon.

There are now 113 of these renewed cash dividend policies in force.

Popular Protection Policy

For a premium of \$2.50 per month this policy pays an indemnity of \$2 per day for illness or accident; \$100 for loss of one limb, and \$200 for loss of two limbs, both eyes, or accidental or natural death.

The policy is in force for accidental benefits from date of issue. Payments will not be made for total disability due to accident to exceed seventy days and for partial disability to exceed fourteen days.

After two months from date one week's benefit will be paid for illness, after three months, two weeks, etc., the benefit being extended one week for each additional month in force, up to eleven months, when ten weeks, the limit for any illness, will be paid.

One-half the natural death benefit will be paid from sixty days to six months after date, and the full benefit after six months.

Model Policy

For a premium of \$1 per month this policy pays sick and accident benefits ranging from \$2 to \$12 per week, and accidental death indemnity from \$25 to \$150, according to classification of risk. The first week of illness is paid for only when said benefit is purchased by the payment of an additional premium. The natural death indemnity is from \$50 to \$100, according to the age of the member.

Ideal Policy

This policy is somewhat similar to the model policy but pays, in addition to the benefits provided for in the model policy, specific indemnities for loss of hands or feet.

The number of policies in force as of March 30, 1918, was approximately as follows:

<i>Life:</i>		
Monthly	55	
Special	4	
Weekly	34	
		95
<i>Health and Accident:</i>		
Weekly	166	
Equity	197	
Dividend	113	
Model, popular, etc.....	2,081	
		2,557
Total		2,650

EXPENSES OF MANAGEMENT AND LOSS RATIO

The percentages of expenses of management and claims paid to the total income from members for the last seven years were as follows:

<i>Year</i>	<i>Expenses</i>	<i>Claims</i>
	<i>Per Cent</i>	<i>Per Cent</i>
1911	59.92	23.04
1912	60.18	28.01
1913	61.81	28.52
1914	66.59	25.53
1915	68.98	23.49
1916	74.01	26.24
1917	70.07	30.73
Average for the 7 year period.....	65.71	26.26

OFFICERS

The following are the present officers of the association: President, J. J. Barnsdall; secretary, Miss E. E. Meares; treasurer, L. W. Southwick.

The salary of the president is \$58 and that of the secretary \$30 per week. The treasurer receives no salary. The officers are not bonded.

STAFFORD BENEFIT ASSOCIATION

STAFFORD, N. Y.

*Examined to ascertain condition June 15, 1918.**Report dated June 18, 1918.**Examiner: J. F. Tucker.*

FINANCIAL STATEMENT

Ledger Assets

Cash in bank on interest.....	\$658 8.	
Cash in bank not on interest.....	218 16	
Total ledger assets.....		\$876 99

Non-Ledger Assets

Interest accrued on bank deposits.....		13 45
Total admitted assets.....		\$890 44

Liabilities

Unpaid death claims.....	\$8,000 00	
Unpaid bills and accounts.....	28 60	
Reserve under section 205 Insurance Law....	566 00	
Total liabilities		8,594 60
Excess of liabilities over assets.....		<u><u>\$7,704 16</u></u>

The income and disbursements from January 1, 1918 to June 15, 1918, inclusive, were as follows:

Balance, ledger assets, December 31, 1917.....	\$734 79
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Income

Assessments	\$3,486 60	
Semi-annual dues.....	321 00	
Arrearages	6 50	
Total income		3,814 10
Total		\$4,548 89

Disbursements

Death claims.....	\$3,500 00	
Salaries of officers.....	88 33	
Other expenses.....	83 57	
Total disbursements		3,671 90
Balance, ledger assets, June 15, 1918.....		\$876 99

FUNDS

The by-laws provide that two separate funds, as expense fund and a funeral benefit fund, shall be maintained. The semi-annual dues of fifty cents per member are credited to the expense fund and the assessments to the funeral benefit fund. A reserve fund is also maintained, the balance therein being represented by a certificate of deposit drawing interest at 3 per cent.

The fund balances, as of June 15, 1918, were as follows:

Reserve fund	\$658 83
Funeral benefit fund.....	40 18
Expense fund	177 98
Total ledger assets.....	\$876 99

OFFICERS

The present officers of the association are as follows:

<i>Title</i>	<i>Name</i>	<i>Address</i>
President.....	J. A. North.....	Batavia, N. Y.
Vice-President.....	J. Lathrop.....	Morganville, N. Y.
Secretary.....	E. M. Pamphilon.....	Stafford, N. Y.
Treasurer.....	Dr. C. E. Dewey.....	Batavia, N. Y.

The secretary receives \$250 per annum, and is the only salaried officer.

ORGANIZATION AND PLAN OF INSURANCE

This association was incorporated in 1881. The total membership has never exceeded approximately 800. I find that 607 paid the last assessment, called March 1st. Another assessment should have been called May 1st, but under the circumstances herein set forth it was passed.

The rates charged have been grossly inadequate to meet the death claims, and extra assessments called have been insufficient

to cover the deficiency. The association has been for sometime in an insolvent condition which is rapidly growing worse.

Although the board of directors have taken no official action, the officers state that they have now decided that the only course left to them is to wind up the affairs of the association. This was sufficiently demonstrated to them when circulars, stating the condition of the association and asking whether the members were willing to pay the extra assessments necessary to put the association in a solvent condition, were recently sent to the 650 members in good standing and only 225 replied in the affirmative.

Although the association has practically ceased to do business, more death claims are liable to be incurred at any time with little or no hope of their being paid.

It is therefore recommended that you, as Superintendent of Insurance, make immediately an application to the Supreme Court for an order to liquidate the association under the provisions of section 63 of the Insurance Law, upon the ground that it is insolvent and that its further continuation in business would be hazardous to its policyholders, its creditors and to the public.

Fraternal Beneficiary Orders or Societies

[671]

DER BAYERISCHE NATIONAL VERBAND VON NORD-AMERIKA

BUFFALO, N. Y.

Examined to ascertain condition June 12, 1917.

Report dated July 14, 1917.

Examiners: J. F. Tucker, C. J. Norton.

FINANCIAL STATEMENT

Ledger Assets

Mortgage loans.....	\$6,600 00
Cash in banks.....	15,164 97
Cash in hands of secretary.....	47 40
Cash in hands of treasurer.....	80
Check returned for signature.....	28 45
Reserve notes	23,118 30

Total ledger assets.....	\$44,959 92
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Non-Ledger Assets

Interest accrued on mortgages.....	\$57 44
Assessments in course of collection.....	1,919 50

Total non-ledger assets.....	1,976 94
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Gross assets.....	\$46,936 86
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Assets Not Admitted

Check returned for signature.....	\$28 45
Reserve notes.....	23,118 30

Total assets not admitted.....	23,146 75
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Total admitted assets.....	\$23,790 11
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Liabilities

Death claims	\$2,250 00
Unpaid bills and accounts.....	42 15

Total liabilities.....	2,292 15
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Surplus for the protection of members.....	\$21,497 96
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Income and Disbursements

The income and disbursements for the period from January 1, to June 12, 1917, were as follows:

Balance, ledger assets, December 31, 1916..... \$25,458 09

<i>Income</i>	
Mortuary assessments	\$9,508 90
General fund dues.....	1,013 80
Certificate fees	9 75
Supplies sold	14 75
Interest on bank accounts.....	36 59
Notes taken for reserves.....	20,141 40
Cash received for reserves.....	2,524 80
Interest on reserve notes.....	8 98
Total income	33,258 97
Total	\$58,717 06

<i>Disbursements</i>	
Death claims	\$12,250 00
Assessments returned	6 00
Salaries of officers.....	375 00
Reserve notes cancelled	104 00
Printing, stationery and supplies.....	742 90
Postage, express and telephone.....	47 89
Special meeting	74 00
Valuation report	50 00
All other expenses.....	107 35
Total disbursements	13,757 14

Balance, ledger assets, June 13, 1917..... \$44,959 92

Rates

The society readjusted rates which became effective January 1, 1917. We find the new rates are higher, on the average, than the National Fraternal Congress table with 4 per cent interest.

Certificates are issued in amounts of \$250 and \$400 only and are not in force for the full amount until after the first year, one-fourth of the amount being payable during the first six months and one-half during the second six months.

There are slight inequalities in the rates, since members from sixteen to thirty years of age holding \$250 certificates pay less

per thousand of insurance than those at the same ages holding \$400 certificates. From ages thirty to forty-five the rule is the reverse.

The new rates were applied at age of entry and each member had charged against his certificate as a deficiency lien the difference between the amount actually paid in and that which would have been paid at the new rate during the time his certificate has been in force. Such liens are either payable in cash or by a note drawing interest at 5 per cent from January 1, 1917, the total note and interest to be deducted from the death claim.

On the date of this examination the total amount of such notes was \$23,118.30. The notes were not checked up in detail, since we have treated them as non-admitted assets. When the certificate reserves of the society are entered among its liabilities, under the law, such notes, not in excess of corresponding reserves, may properly be included in the admitted assets.

Not all members have as yet paid their arrears and the society has been lenient with the delinquents in order to permit as many as possible to remain. All notes, however, whenever taken are dated as of January 1, 1917, and the interest begins to run from that date.

Funds

Dues, fees and the proceeds from the sale of supplies are credited to the expense fund; assessments and reserve lien notes and cash received for reserve deficiencies to the mortuary fund, and interest to the reserve fund. The amounts representing reserve lien notes and the equivalent paid in cash are later transferred to the reserve fund. At the present time the mortuary fund includes credits for the latter amounts to the extent of \$22,562.20. As the ledger balance in this fund, as hereinafter shown, is only \$20,056.01, it is apparent that there is an actual deficit in this fund, in the sum of \$2,506.19. However, the cash assets of the society held in the reserve fund are ample to meet present liabilities.

Fund balances as of June 12, 1917

Expense fund	\$271 85
Mortuary fund	20,056 01
Reserve fund	24,632 06
Total	<u><u>\$44,959 92</u></u>

MEMBERSHIP

The society insures both men and women from sixteen to forty-five years of age. Section 1, Article III of the Constitution defines the purpose of the society as follows:

The Bavarian National Association is composed of minor sections who should make it their aim to unite the Bavarian born in the old Fatherland or other Germans now living in the United States or their descendants to join the Bavarian National Association of North America, to promote their social standing and uphold their love for the old Fatherland.

There are at present fifty-two local lodges or sections having a membership of approximately 3,047 and insurance in force amounting to \$998,600. The following table shows a decreasing membership for the last five years.

<i>Year Ending December 31</i>	<i>Membership</i>	<i>Insurance in Force</i>
1912	4,270	\$1,412,150
1913	4,210	1,385,500
1914	4,088	1,342,550
1915	3,751	1,231,600
1916	3,225	1,053,950
1917 (June 12)	3,047	998,600

Officers

The present officers of the society are as follows:

Grand President.....	Philips A. Hoernig
Grand Vice-president.....	Charles Muchlbauer
Grand Treasurer.....	Daniel Jung
Grand Secretary.....	Charles H. North

The Board of Directors consists of the above named officers and five others, and is the governing body of the society.

The salary of the president is \$150; the secretary \$600; and the treasurer \$150 per annum.

INDEPENDENT ORDER BRITH ABRAHAM OF THE
UNITED STATES OF AMERICA

NEW YORK CITY

*Examined to ascertain condition October 31, 1917.**Report dated January 24, 1918.**Examiner: J. F. Tucker.*

FINANCIAL STATEMENT

Ledger Assets

Book value of real estate.....	\$29,373 90
Mortgage loans on real estate.....	97,100 00
Book value of bonds	730,000 00
Cash in banks	263,207 36
Cash in office.....	11,672 10

Total ledger assets.....\$1,131,353 36
Non-Ledger Assets

Interest accrued on mortgages.....	\$786 48
Interest accrued on bonds.....	3,700 00
Interest accrued on bank deposits.....	890 35

Total accrued interest.....	\$5,376 83
Assessments in course of collection.....	87,635 10

Total non-ledger assets.....93,011 93

Gross assets\$1,224,365 29
Assets Not Admitted

Book value of bonds over market value.....	5,780 00
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Total admitted assets.....\$1,218,585 29
Liabilities

Death claims:

Approved, not due.....	\$121,000 00
Reported, not approved.....	59,350 00
Held for investigation.....	4,500 00
Resisted	1,000 00

Total death claims.....\$185,850 00

Disability claims approved, not due.....	5,750 00
Headstone deposits returnable.....	5,995 65
Withdrawal card deposits.....	512 90
War sufferers' fund.....	12,042 40
Unpaid bills and accounts.....	1,348 30

Total liabilities	211,498 25
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Excess of admitted assets over liabilities.....	\$1,007,086 04
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The income and disbursements of the order for the ten months ending October 31, 1917, were as follows:

Balance, ledger assets, December 31, 1916.....	\$981,990 44
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Income

Assessments:

Mortuary	\$767,087 62
Disability	17,639 20
For war sufferers	12,042 40
Endowment reserve fund.....	84,152 70

Total assessments	\$880,921 92
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Per capita tax.....	62,323 46
Lodge supplies	377 13
Withdrawal card deposits.....	351 50
Certificate fees.....	1,181 15
Premiums on bonds of local officers.....	589 65
Sale of picnic tickets.....	6,201 55
Donations for charity	195 00
Cemetery tax.....	1,652 85
Headstone deposits.....	3,950 00
Burial permits	354 00
Reserved graves	1,025 00
Rents from real estate.....	2,418 00
Interest on mortgages.....	5,797 04
Interest on bonds (net).....	24,803 28
Interest on bank deposits.....	6,706 55
Discount on bonds purchased.....	515 63

Total income	999,363 71
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Total	\$1,981,354 15
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Disbursements

Death claims	\$757,181 40
Disability claims	17,750 00
Charity	27,876 10

Headstone deposits returned.....	3,631 00
Funeral expenses	168 50
Withdrawal card deposits returned.....	280 00
Interest on real estate mortgage.....	964 29
Repairs on real estate.....	934 77
Insurance and taxes.....	466 00
Premium paid on bonds purchased.....	125 00
Total expenses of management.....	40,623 73

Total disbursements	850,000 79
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Balance, ledger assets, October 31, 1917.....	\$1,131,353 36
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Assets

Real Estate:

The building used as the headquarters of the grand lodge, located at 37 Seventh street, New York city, is owned by the order. It was purchased in 1912 for \$29,373.90, which is the present book value of the property. At the time of purchase there were two mortgages covering the property, one for \$15,773.90, held by the order as an asset of the reserve fund, and the other for \$10,000, held by a bank. The latter has since been purchased by the order with reserve fund moneys. This asset is nominally the property of the building fund, but on account of the reserve fund equity therein the two mortgages have been carried on the general ledger as assets and also as liabilities. In the foregoing financial statement the said mortgage loans have been eliminated as assets and the real estate carried at its book value. The equity of the building fund in the property is only \$3,600.

The grand lodge pays into the building fund from the general fund a monthly rental of \$216 for the part of the building which it occupies. The grand secretary pays a monthly rental of \$25 for the use of the top floor, which he occupies as a dwelling. Taxes, insurance, repairs and all other expenses incident to the real estate are paid from the building fund and interest on the equity of the reserve fund is paid by transferring from the building fund to the reserve fund the necessary amount.

Mortgage Loans:

The order has loans amounting to \$97,100 on five pieces of property situated in Manhattan. These loans belong to the reserve fund. The interest rate on one loan is $4\frac{1}{2}$ per cent and on the other four loans 5 per cent. No appraisals of the property securing such loans have been made by the Insurance Department since 1908. The present value of each parcel is said to be at least twice the amount of the loan thereon. Payments on account of principal have been made on all mortgages during the last four years and on three of them during 1917.

Bonds:

The following bonds are owned by the order:

RESERVE FUND		
	<i>Book and par values</i>	<i>Market values</i>
City of New York Corp. Stock:		
4s 1936	\$22,000	\$21,780
4s 1955	8,000	7,840
4s 1957	20,000	19,600
4s 1959	80,000	78,400
$4\frac{1}{4}$ s 1960	55,000	55,550
$4\frac{1}{4}$ s 1960 op. 1930.....	170,000	170,000
$4\frac{1}{4}$ s 1964	15,000	15,150
City of Boston:		
$3\frac{1}{2}$ s 1942	20,000	17,800
United States Liberty Loan:		
$3\frac{1}{2}$ s 1947	30,000	30,000
Total reserve fund.....	\$420,000	\$416,120

ENDOWMENT RESERVE FUND		
City of New York Corp. Stock:		
4s 1955	\$103,000	\$100,940
4s 1956	2,000	1,960
4s 1958	25,000	24,500
4s 1959	20,000	19,600
$4\frac{1}{4}$ s 1960 op. 1930.....	20,000	20,000
$4\frac{1}{4}$ s 1964	110,000	111,100
United State Liberty Loan:		
$3\frac{1}{2}$ s 1947	30,000	30,000
Total endowment reserve fund.....	\$310,000	\$308,100
Total both funds.....	\$730,000	\$724,220

All of the above securities, excepting the Liberty Loan bonds, were in the possession of the officers of the order. Checks in full payment of the Liberty bonds were exhibited, but the bonds had not been delivered up to the time this examination was completed. The market values used in this report are those adopted by the National Convention of Insurance Commissioners to be used by insurance companies and associations as of December 31, 1917.

Cash in Banks:

Deposits in savings banks were verified by the bank pass books in the possession of the grand secretary. Certificates were obtained from all the commercial banks in which the order has deposits and the balances reconciled with its records.

Cash in Office:

The amount allowed as cash in office represents receipts at the end of October deposited in bank on November 1st.

Non-ledger Items:

Interest accrued on banks deposits represents the amounts credited by banks on October 31st and not entered on the records of the order until November. No allowance has been made for accrued interest on savings bank deposits.

The credit given for assessments in course of collection represents the October 1st call uncollected on October 31st.

Liabilities

Death Claims:

All death claims for which final proofs have been received up to the 20th of the month are passed upon by the executive board at the current monthly meeting, and all claims then approved are included in the assessment called as of the first of the following month. One month is allowed for the collection of assessments and the claims are paid on the third Monday of the second month following approval.

The total liability for unpaid claims as of October 31st was \$185,850. Of this amount \$57,500 was payable in November,

\$63,500 in December and \$54,350 in January. The remainder awaits the approval of the executive board.

Head Stone Deposits:

On each grave in the order's cemetery a suitable head stone must be erected. In order to guarantee such erection a deposit of \$25 is required. Upon receipt of notice from the superintendent of the cemetery that the head stone is in place, the deposit is refunded or turned over in payment for same. The record of such deposits kept by the grand secretary could not be reconciled with the liability shown by the general ledger. I was informed that no such reconciliation had been made since the present secretary took office, but that steps had been taken to secure the records of the superintendent of the cemetery and find out which stones were still unset. The liability entered in the foregoing financial statement is that shown by the general ledger.

Withdrawal Card Deposits:

Any person who has been suspended from a subordinate lodge and wishes to join another lodge is required to make a deposit of five dollars to cover his indebtedness to the former lodge. Such deposits should be immediately remitted to the suspending lodge, but there seems to be, in some cases, difficulty in ascertaining which lodge is entitled to the deposit and apparently some of the deposits are not returned at all. Owing to the fact that the records have not been properly kept it was impossible to check the liability for these deposits. The liability entered in the foregoing financial statement represents all the deposits unreturned since the present secretary took office. There is slight probability that deposits made more than four years ago will ever be called for.

Unpaid Bills and Accounts:

The liability entered for unpaid bills and accounts represents all liability for expenses incurred prior to October 31st which could be found among the records of the order. All such bills were paid during the month of November.

Recapitulation of Fund Balances October 31, 1917

Endowment fund	\$77,528 97
Reserve fund	620,426 55
Endowment reserve fund.....	350,814 02
Expense fund	23,696 72
Disability fund	4,764 83
Building fund	6,003 02
Cemetery fund	36,076 85
War sufferers' fund.....	12,042 40
Total	\$1,131,353 36

ORGANIZATION AND PLANS

The Independent Order Brith Abraham commenced business in February, 1887, and in 1894 was reincorporated under the provisions of Article VII of the New York State insurance laws. The supreme governing body of the order is the Grand Lodge Convention which convenes annually and is composed of delegates duly elected by the subordinate lodges, each lodge being entitled in any case to one delegate and to one additional delegate for every 200 members.

Officers are elected annually from among the delegates present at the convention. Such elected officers compose the executive board which meets monthly and which is the governing body of the order between conventions. The salaries of officers are fixed by the convention. The duties of the officers are set forth in the constitution of the order.

The grand master has general supervision of the affairs of the order. The grand secretary keeps all records of the grand lodge office, records the minutes of the monthly meetings of the executive board and the annual convention and conducts the correspondence. The grand treasurer apparently has no duties except the signing of checks.

Persons of the Hebrew faith may be admitted to membership. The age limits for male members are 18 to 45 years and for female members 17 to 45 years. No unmarried woman or married woman without her husband may be admitted.

Assessments are collected on the post mortem plan, only the current cost of insurance being collected. Members at all ages, both men and women, pay the same rates and each member is insured for \$500. All those in active service in the army or

navy are exempted from the payment of assessments while so engaged. This exemption is intended to apply, however, to present members only and not to those who may be admitted in the future.

Assessment Rates

At the thirty-first annual convention held in June, 1917, the grand master was authorized to appoint a committee of fifteen members to investigate the mortality experience of the order, employ actuaries and propose a table of rates to be submitted to the local lodges for approval. In September the committee was appointed. The executive board was to have a voice in the proceedings of the committee but no vote.

In November the committee reported "that this would not be an opportune time to attempt any radical change in our system of taxation for mortuary purposes" and asked permission to adjourn until after the war, being "fully convinced that there is no prospective danger which requires immediate action." The matter has apparently been postponed indefinitely.

The annual statements of the order show that the deaths incurred during the year 1915 amounted to \$703,500, and during 1916, \$830,500. Based on the insurance in force at the beginning of the year, which is accurate enough for comparative purposes, the mortality, according to the National Fraternal Congress table of mortality, should have been approximately \$1,017,500 in 1915, and \$1,093,500 in 1916. No positive conclusions may be based upon an experience of a period as short as two years, but according to computations previously made by the order these figures reflect quite accurately the past mortality experience. Although such experience is at present very favorable, it may be safely predicted that it will not continue indefinitely. The membership at age forty-five and under is decreasing while that at ages over forty-five is increasing. The following table gives the figures for the last three years:

INSURANCE IN FORCE

<i>Date</i>	<i>Ages</i>	<i>Ages</i>	<i>Totals</i>
	<i>21 to 45</i>	<i>over 45</i>	
December 31, 1914.....	\$64,076,000	\$33,169,000	\$97,245,000
December 31, 1915.....	61,959,000	38,112,000	100,071,000
December 31, 1916.....	60,417,500	42,491,000	102,908,500

The insurance in force at ages over 60 was as follows:

December 31, 1914.....	\$4,565,000
December 31, 1915.....	5,273,000
December 31, 1916.....	5,683,500

Much of the favorable showing in mortality is due to the unusual longevity of members over sixty years of age. For instance, at the end of 1914 there were 2,184 members 73 years of age and over, not one of whom died or lapsed during the year 1915. At the end of 1915 there were consequently 2,184 members 74 years of age and over, only three of whom died during 1916.

Based upon the insurance in force at the beginning of each year, the following comparative table shows the amounts which would have been collected on the National Fraternal Congress five-year renewable term table, the amounts collectible according to the rates charged by the order, plus fifty cents collected each year for the endowment reserve fund, and the differences between said amounts:

<i>Year</i>	<i>N. F. C.</i>	<i>I. O. B. A.</i>	<i>Deficiency</i>
1915	\$1,036,922 55	\$826,582 50	\$210,340 05
1916	1,118,187 91	920,653 20	197,534 71
1917	1,177,514 13	1,043,492 19	134,021 94
Totals	<u>\$3,332,624 59</u>	<u>\$2,790,727 89</u>	<u>\$541,896 70</u>

The current cost of insurance has been collected each year, therefore the deficiencies above shown merely indicate that no reserve is being collected, and that the assessments are bound to become heavier as the members grow older, unless young persons can be induced to join the order in sufficient number to offset the increased mortality rate.

Local lodges collect from their members quarterly dues calculated to be sufficient to meet all charges made by the grand lodge during the quarter and to leave a balance for the purpose of meeting the local lodge expenses. Grand lodge assessments are made against the local lodges and paid from the local lodge treasuries. The fluctuations in monthly assessments do not affect the individual members except indirectly as reflected by the

balances remaining in the local treasuries at the end of the quarter.

Theoretically an assessment at the rate of one-third cent is made upon each member for each and every death incurred. In practice such procedure would result in the collection of sums far in excess of the amount required for the payment of claims. The executive board decides each month how many claims it will be necessary to assess for, in order to pay all claims approved, and calls for an assessment accordingly. Assessments are called for approximately 75 per cent of the deaths incurred, the remaining 25 per cent being paid from the excess collected.

Assessments for mortuary purposes amounted in 1914 to \$3.70, in 1915 to \$3.75, in 1916 to \$4.10 and in 1917 to \$4.57 per member.

DISABILITY BENEFITS

The annual convention of the order held in May, 1913, added an amendment to the constitution granting to all male members benefits in the event of disability, whether caused by accident or disease, as follows:

For loss of one eye, hand, foot, arm or leg.....	\$250
For the loss of both eyes, hands, feet, arms or legs.....	500
For the loss of any two of same.....	500

Such benefits took effect as of January 1, 1914, and were considered more or less in the light of an experiment, it being provided that they should cease on July 1, 1916, unless extended by the 1916 convention. The last named convention did extend them until July 1, 1919, and the convention of that year will doubtless continue them.

Claims were at first payable thirty days after the first of the month following approval, but the 1917 convention extended the time to ninety days, further providing that death within the said ninety days should void the payment of the disability claim.

Claims approved by the disability committee are afterward passed upon by the executive board and do not become a liability of the order according to the by-laws until finally approved. The liability appearing in the financial statement in this report, therefore, represents only such claims as were approved and

unpaid on October 31st. No part of such liability, amounting to \$5,750, was due at that time.

Only male members are eligible to receive disability benefits, and only such members are assessed for same. Assessments are levied each month at the rate of one-third of one cent for each \$250 claim and two-thirds of one cent for each \$500 claim. Following the custom of the levying of assessments for mortuary purposes, not as many claims as occur are assessed for. A full assessment upon the membership produces an amount in excess of that required for the payment of a claim and the excess is used for the payment of claims for which no assessment is made. It is not the policy of the management to accumulate any surplus from this source.

Charity

The order disburses comparatively large sums for charitable purposes, the payments during the ten months ending October 31, 1917, amounting to \$27,876.10. Members are assessed thirty-five cents each per annum for the general fund, fifteen cents of which is used for charity. Donations are made to many charitable institutions, payments during the month of May, 1917, to about forty of such institutions amounting to over \$7,000, but the larger part of the charitable payments are made for the purpose of relieving destitute and deserving members of the order.

Applications for charity usually come through the local lodges, appeals often being made after the local lodge has extended to the applicant considerable aid.

The charity committee passes upon all claims and payments not exceeding \$50 are made on their recommendation. Claims in excess of that amount must be approved by the executive board.

DEPOSITS IN TRUST FOR MINORS

If, when a death claim becomes payable, a beneficiary is a minor and consequently incapable of legally accepting the payment, a saving bank account is opened in the name of the order in trust for the beneficiary entitled thereto. The deposit draws interest until such time as the beneficiary becomes of age or a guardian is appointed. The pass books are in the custody of the grand secretary. When one of these accounts is to be paid the

money is drawn from a savings bank and deposited in a special account in a commercial bank, a check payable to the claimant being drawn upon the latter account.

The following statement shows the amount of deposits and withdrawals of this account covering the period of this examination.

Balance on deposit December 31, 1916.....	\$52,687 38
Deposits January 1 to October 31, 1917.....	19,760 26
Interest added to accounts.....	76 08
Total	\$72,523 72
Accounts withdrawn	11,681 55
Balance on deposit October 31, 1917.....	\$60,842 17

The general ledger shows a balance on October 31st of \$60,-811.81. The difference of \$30.36 represents interest not credited on the ledger until November. The interest for the last six months of 1916 is included in the balance at the end of that year and the interest due July 1, 1917, has not been entered on the pass books, such entries being made only once a year. As these funds are no part of the assets of the order it was not considered necessary to have the interest entered at this time. The item of \$76.08 represents only the interest on accounts withdrawn during the period.

CEMETERY CORPORATION

The grand lodge maintains cemeteries for the burial of deceased members not belonging to local lodges which have cemeteries of their own. In January, 1915, the executive board decided to form a corporation for the purpose of taking over and managing the cemeteries. Application having been made to the legislature, a special charter creating such a corporation was granted. At the annual convention held in June, 1915, it was decided to turn over to said corporation all cemeteries owned by the grand lodge, together with all moneys held in the cemetery fund, said corporation to assume all liabilities pertaining to the cemetery and to have the entire management thereof. Ten members of the executive board were to control the corporation. I am informed, however, that the parties interested were unable to

come to any agreement as to the terms under which the transfer should be made and that the matter is now in abeyance.

FUNERAL EXPENSES

The constitution of the order contains the following provision:

It shall be the right and privilege of the Order, and it is hereby specifically authorized, to deduct from the death benefit payable to any of the parties hereinbefore enumerated, such sum as may be due to any person who, in the judgment of said Order, may be entitled to same by reason of having incurred expenses in any way on behalf of the deceased for his or her burial, and the receipt of any such persons shall be presumptive evidence that such sum has been properly paid and shall discharge the Order from all liability for the amount paid out.

Payments on account of funeral expenses are frequently made to persons other than the beneficiaries, but the management apparently uses good judgment in making such payments and excessive claims are not allowed.

EXPENSES OF MANAGEMENT

The order is economically managed. There are no extravagant salaries and no large bills for traveling expenses. The total expense of management for the last five years was approximately 4.7 per cent of the income from members — an unusually low figure.

MEMBERSHIP

The annual statements rendered by the order for the past eight years show the membership at the end of each year to have been as follows:

<i>Year</i>	<i>Members</i>	<i>Insurance</i>
1909	130,842	\$65,421,000
1910	145,240	72,620,000
1911	158,993	79,496,500
1912	172,226	86,113,000
1913	184,797	92,398,500
1914	194,490	97,245,000
1915	200,142	100,071,000
1916	205,817	102,908,500

During the first four months of 1917 there was an increase in membership, the total at the end of April being 207,347, the largest in the history of the order. Since April there has been a gradual decrease, the members at the end of October numbering 202,560.

SURETY BONDS

The grand master, the grand treasurer, the endowment treasurer and the counsel to the order are each under bond to the amount of \$5,000. The grand secretary is bonded for \$10,000. Financial secretaries and treasurers of local lodges are bonded in amounts varying from \$500 to \$1,000, the office being bonded, not the individual. Schedule bond issued by the National Surety Company insures the order in excess of \$800,000. Each lodge is charged its pro rata share of the premium on local officers' bonds.

The books of the United States Grand Lodge are audited monthly by the Stratford Audit Company of New York city.

OFFICERS

The following are the principal officers of the order: Grand master, Sol. Schelinsky; grand secretary, Max L. Hollander; grand treasurer, David Goldberg; counsel, Adolph Stern.

The grand master receives no salary but the convention votes him a gratuity of \$3,000 each year. The grand secretary receives a salary of \$4,000 and the counsel \$1,500 per annum.

In addition to the above named officers there are several deputy grand masters, officers of the various funds, etc.

CATHOLIC RELIEF AND BENEFICIARY ASSOCIATION

SYRACUSE, N. Y.

Examined to ascertain condition May 31, 1917.

Report dated July 16, 1917.

Examiner: J. F. Tucker.

FINANCIAL STATEMENT

Ledger Assets

Mortgage loans	\$40,950 00	
Cash in banks	38,085 47	
Cash in office	1,235 12	
Total ledger assets		\$80,270 59

Non-Ledger Assets

Interest accrued on mortgage loans	\$804 33	
Assessments in course of collection	14,582 15	
Total non-ledger assets		15,386 48
Gross assets		\$95,657 07

*Liabilities**Death claims:*

Due and unpaid	\$500 00	
Adjusted but not due	50,500 00	
Reported but not adjusted	10,500 00	
Resisted	5,000 00	
Total death claims	\$66,500 00	
Relief claims	650 00	
Salaries, bills and accounts	1,670 35	
Total liabilities		68,820 35
Surplus for the protection of members		\$26,836 72

Liabilities

Death claims, amounting to \$66,500, were incurred and unpaid as of May 31, 1917. The association has ninety days in which to pay claims and the majority, although adjusted, are not due.

General fund bills cannot be paid until the further receipt of members' dues as the balance in the general fund is already set aside to provide for the expenses of the coming convention.

The income and disbursements for the year ending May 31, 1917, were as follows:

Balance, ledger assets, May 31, 1916	\$76,417 85
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Income

Assessments	\$166,284 13
Dues and per capita tax	11,329 08
Supplies sold	447 20

Bonds of local officers.....	395 24
Interest on mortgages.....	2,718 66
Interest on bank deposits.....	643 61

Total income	181,817 92
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Total	\$258,235 77
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Disbursements

Death claims	\$161,539 25
Relief claims	5,102 00
Medical fees on relief claims.....	64 00
Salaries of officers.....	2,016 67
Salaries of office employees.....	670 60
Trustee and committee meetings.....	663 61
Expenses of officers and trustees.....	1,080 01
Commissions and expenses of deputies and organizers	1,288 45
Legal services	910 30
Office rent	332 50
Cancellation of lease.....	767 20
Official publication	1,740 69
Surety bonds	236 53
National Fraternal Congress.....	62 00
Insurance department fees.....	75 00
Actuary and auditor.....	525 00
Printing and stationery.....	232 05
Postage and telephone.....	335 74
Other office expenses.....	323 58

Total disbursements	177,965 18
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Balance, ledger assets, May 31, 1917.....	\$80,270 59
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Total Fund Balances May 31, 1917

General	\$2,023 93
Beneficiary	516 05
Beneficiary reserve	56,971 41
Relief reserve	20,940 93

Total	\$80,452 32
Relief fund deficiency.....	181 73

Ledger assets	\$80,270 59
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MEMBERS AND BENEFITS

Certificates are now issued for \$250, \$500, \$1,000, \$1,500 and \$2,000. A few certificates for \$3,000 each, formerly issued, are still in force.

The constitution provides that "Membership in this association shall be composed of and limited to acceptable Roman Catholics of both sexes, between the ages of sixteen and fifty years."

The present number of members is approximately 10,676 and the insurance in force \$9,363,250. The following table shows the membership for the last five years:

	<i>Membership</i>	<i>Insurance in force</i>
December 31, 1912.....	12,180	\$10,681,500
December 31, 1913.....	12,242	10,738,250
December 31, 1914.....	12,262	10,724,750
December 31, 1915.....	11,581	10,159,500
December 31, 1916.....	10,794	9,462,250
May 31, 1917.....	10,676	9,363,250

RELIEF MEMBERSHIP

In addition to the death benefits provided a relief certificate may be issued to any member who is physically acceptable and under forty-five years of age. If this certificate is applied for within thirty days after initiation, no further medical examination is required. The cost of such certificate is twenty-five cents per month. Ninety per cent of the amount so collected is credited to the relief fund and 10 per cent to the relief reserve fund.

The certificate provides for benefits in event of sickness occurring six months or more after the date thereof, as follows: \$3 per week for the first two weeks; \$5 per week for the next eight weeks; \$2 per week for the next two weeks. No member may receive sick benefits for a longer period than twelve weeks in any one year, subject to certain limitations prescribed in the constitution.

Claims must be approved by the attending physician and the relief committee of the subordinate council, by the supreme medical examiner and the supreme board of trustees.

The number of members holding relief certificates is approximately 1,781.

EXPENSES PAID FROM THE BENEFICIARY FUND

Since the last examination by this Department the association has from time to time paid certain expenses from the mortuary fund.

In May, 1913, the board of trustees ordered that thereafter the expense of publishing the bulletin should be paid from the beneficiary fund. The total expense of such publication from October 1, 1911, to May 1, 1913, amounting to \$4,899.08, was therefore transferred from the beneficiary to the expense fund.

From May to December, 1913, the cost of publishing the bulletin was \$2,058.21, and from January to September, 1914, \$2,061.79, which amounts were paid from the beneficiary fund. Beginning with October, 1914, the cost of publishing the bulletin was again paid from the general fund.

In July, 1915, \$3,000 was transferred from the relief fund to the general fund. The authorization for such transfer is in the minutes of the meeting of the board of trustees dated June 14, 1915.

Legal expenses incurred in the litigation of claims have also been paid from the beneficiary fund. Such payments amounted in 1913 to \$150, in 1914 to \$552.40, and in 1915 to \$670.98.

The total beneficiary and relief funds used for expenses are therefore as follows:

Bulletin October 1, 1911, to April 30, 1913.....	\$4,899 08
Bulletin May 1 to December 31, 1913.....	2,058 21
Bulletin January 1 to October 30, 1914.....	2,061 79
Legal expenses 1913.....	150 00
Legal expenses 1914.....	552 40
Legal expenses 1915.....	670 98
Total paid from beneficiary fund.....	\$10,392 46
Transfer from relief fund 1915.....	3,000 00
Total	<u>\$13,392 46</u>

In January, 1916, the board passed a resolution to the effect that the amount borrowed from the relief fund be paid back "In such installments as shall be designated by the supreme president from time to time."

In September, 1916, the board passed a resolution to the effect that the amount of \$2,061.79 taken from the beneficiary fund for the publication of the bulletin be paid back in "Such installments as shall be designated by the supreme president from time to time."

No such repayments have been made and they have, in fact, been impossible because of the inability of the general fund to take care of current expenses.

We call attention to the provisions of subsection 4 of section 233 of the Insurance Law with regard to the use for expenses of moneys collected for mortuary or disability purposes.

In September, 1916, the board passed a resolution to the effect "That out of the general receipts received each quarter commencing October 1, 1916, the Supreme Recorder set aside \$1,000 to meet the expenses of the 1917 convention and that no part of this appropriation be used for any other purpose without the consent of the Board."

On May 31, 1917, the sum of \$2,000 should have been reserved on account of the above resolution. On that date the balance in the general fund was but \$2,023.93, and the outstanding bills payable from the general fund amounted to \$1,670.35.

REPRESENTATION AT SUPREME CONVENTION

The August, 1916, issue of the *Catholic Relief and Beneficiary Association Bulletin*, the official organ of the society, contains the following paragraph:

Officers and members of subordinate councils who are desirous of being represented at the supreme convention of 1917 should remember that at the convention held in Scranton September, 1914, an amendment to the constitution was adopted, which says in part, councils having beneficiary members exceeding thirty in number in good standing for the period of six months before the holding of any such Supreme Council Convention, in attendance and taking part in the Supreme Council Convention as representatives from their respective councils held during his or her term of office, shall receive from and be paid by the Supreme Council at the close of each Supreme Council Convention so attended per diem at the rate of \$4.00 per day, etc. I refer you to Sec. 23 of the constitution for further information on this point. Thus you see it will be necessary for delegates attending that their council have over thirty members in good standing for a period of six months before the holding of the convention to entitle them to per diem and railroad fare. From present indications many councils better get busy.

The above rule will deprive about seventy councils, having an approximate membership of 1,300, of any voice in the next convention unless such councils should see fit to pay the expenses of their own delegates.

RATES

At a special convention held in July, 1915, the rates charged beneficiary members were increased to conform with the National Fraternal Congress table of rates with interest at four per cent. Such rates were, however, applied to all members at age of admission into the society instead of at attained age. As the society has been in existence since 1893, it is obvious that many of the members are now paying rates which are grossly inadequate. Unless this condition is corrected, the society cannot escape disaster.

On December 31, 1906 the total amount of unpaid death claims was \$2,500. During the ten year period, 1907-1916 inclusive, the mortuary assessments collected amounted to \$1,258,299.11. The total payments for death claims amounted to \$1,259,563.55. On December 31, 1916, the death claims unpaid amounted to \$40,250. These figures show that during the ten years the actual collections for mortuary purposes were \$39,000 short of the amount necessary to cover the claims incurred. This of itself, disregarding the questions of reserves entirely, is sufficient proof that the rates charged have been wholly inadequate.

On May 31, 1917 the unpaid claims were \$66,500, an increase of \$26,250 in five months.

DISSENSIONS AMONG THE OFFICERS

For some time the officers of the association have been engaged in petty quarrels among themselves which seem to be the result of personal animosity. Charges and counter charges have been brought by both sides. None of these charges would appear to involve the financial standing of the association, but such dissensions, if continued, will gradually spread to the membership and will tend to disrupt the society. It is incumbent upon the officers, if they have the welfare of the association at heart, to bring their differences to a speedy adjustment. There are vital issues, the most prominent being the readjustment of rates, which demand the attention of the officials and which should be brought before the next convention. Petty spite should not be allowed to cloud the real issue, the solution of which is necessary to prevent the destruction of the association.

REMOVAL OF HEADQUARTERS

In August, 1916, the home office of the association was removed from Auburn, N. Y., where it had been since incorporation, to Syracuse, N. Y.

Officers

The supreme officers of the association are as follows: President, Michael G. Langan; recorder, Margaret H. Graney; treasurer, William E. Taaffe.

The president receives a salary of \$1,000 per annum, the recorder \$900, and the treasurer \$300. The recorder is bonded for \$8,000 and the treasurer for \$4,000.

CATHOLIC RELIEF AND BENEFICIARY
ASSOCIATION

SYRACUSE, N. Y.

Supplemental examination.

Report dated August 15, 1917.

Examiner: J. F. Tucker.

Acting under Department directions I have made an examination of the affairs of the Catholic Relief and Beneficiary Association, of Syracuse, N. Y. This examination is supplemental to one made as of May 31, 1917, the report of which is dated July 16, 1917.

The report dated July 16, 1917, refers to the use of mortuary and disability funds for expense purposes to the extent of over \$13,000, which is in violation of the by-laws of the association and of the laws of the State of New York. Notwithstanding such comment in the report mentioned, the supreme board of trustees, at a special meeting held in the city of Syracuse on August 1, 1917, passed a resolution to the effect that the sum of \$4,000 be taken from the relief reserve fund for the purpose of defraying the expenses of the next convention of the association, said convention to be held in the city of Pittsburgh, Penn., on September 11, 1917. The supreme president and five of the trustees

voted in favor of such resolution and the supreme recorder and one trustee voted against it. The resolution was declared carried and a check was immediately drawn and signed by the supreme president. Trustees Thomas P. Horan, John F. Buckley, Frank A. Felts, Thomas J. O'Donnell and John A. Hamu endorsed the check. Supreme Recorder Margaret H. Graney and Supreme Trustee B. Ellen Flanagan, who had voted against the resolution, refused to sign the check. The transfer was consequently deferred.

A motion was then carried instructing the supreme president to sign no more checks against the general fund until Recorder Graney and Trustee Flanagan should sign the check against the relief reserve fund. The supreme recorder is therefore unable to pay any bills for the current expenses of the association. Such unpaid bills amount at the present time to approximately \$2,000.

The above facts are more fully set forth in the minutes of the meeting of the supreme trustees, a copy of which, sworn to by the supreme recorder, is attached to this report, marked "Exhibit A."

It would appear that the above mentioned action was taken with the deliberate intent to ignore the laws of the association and of the State of New York.

The last report on the examination of this association, dated July 16, 1917, refers to the payment of expenses of delegates to the supreme convention from certain subordinate councils. At the supreme convention of the association held in Scranton, Penn., in September, 1914, an amendment to the constitution was made which provided that the expenses of delegates to the convention from subordinate councils having not more than thirty members should not be paid by the supreme council. The legality of the adoption of such an amendment has been questioned. An affidavit of Frank M. Leary, who was present at the convention which adopted the amendment in question, is attached to this report marked "Exhibit B." The question is respectfully submitted for your consideration.

No examination of the financial condition of the association was made at this time as the previous report shows such condition as of May 31, 1917.

EXHIBIT "A"

Copy of that portion of the minutes of the meeting of the supreme trustees of the Catholic Relief and Beneficiary Association held August 1, 1917, which relates to the transfer of funds from the relief reserve fund to the general:

The matter of meeting the expenses of the Supreme Council Convention to be held in Pittsburgh September 11, 1917, was brought up and discussed at some considerable length. After such discussion it was moved by Trustee O'Donnell that \$4,000 be transferred from the Relief Reserve Fund to the General Fund for the purpose of defraying the expenses of the coming Supreme Council Convention and that if there be any balance of that amount remaining after the holding of the convention that the same be returned to the Relief Reserve Fund.

This motion presented by Trustee O'Donnell was seconded by Trustee Buckley and, being put to a vote, President Langan and Trustees O'Donnell, Buckley, Hamm, Felts and Horan voted in favor of the adoption of the motion and Trustee Flanagan and Recorder Graney voted against its adoption.

The President declared the motion carried.

After the foregoing resolution was declared adopted Trustee Horan moved that a check for \$4,000 be immediately drawn transferring that amount from the Relief Reserve Fund to the General Fund as provided in the foregoing resolution. This motion was seconded by Trustee Buckley and, being put to a vote, President Langan and Trustees O'Donnell, Buckley, Hamm, Felts and Horan voted in favor of the adoption of the motion and Trustee Flanagan and Recorder Graney voted against its adoption.

The President declared the motion carried.

This check for \$4,000 against the Relief Reserve Fund was immediately drawn and was signed by President Langan and Trustees O'Donnell, Buckley, Hamm, Felts and Horan, but Trustee Flanagan and Recorder Graney refused to sign the same.

After the refusal of Trustee Flanagan and Recorder Graney to sign the check transferring \$4,000 from the Relief Reserve Fund to the General Fund to meet the expenses of the convention it was moved by Trustee Horan that the Supreme President be instructed to sign no more checks drawn against the General Fund until Trustee Flanagan and Recorder Graney signed such check. This motion was seconded by Trustee Buckley and, being put to a vote, was adopted, Trustee Flanagan and Recorder Graney voting against its adoption.

The following resolution was presented by Trustee O'Donnell:

RESOLVED, That any and all moneys transferred from the different funds to meet the legitimate and necessary expenses of the coming triennial convention be taken up at the first meeting of the Board of Trustees after such convention and the arrangements made positively to return such moneys to their proper funds with absolutely little delay as possible and with this end in view that ways and means be adopted at the convention to carry out such contract for the future welfare of the association.

This resolution was seconded by Trustee Felts and adopted.

State of New York, }
County of Onondaga, } ss:

Margaret H. Graney, being duly sworn, deposes and says, That she is the Supreme Recorder of the Catholic Relief and Beneficiary Association and that the above is a true copy of the portion of the minutes of the meeting of the Supreme Board of Trustees held on August 1, 1917, which relates to the proposed transfer of funds from the Relief Reserve Fund to the General Fund of the said association.

MARGARET H. GRANEY.

Subscribed and sworn to before me
this 14th day of August, 1917.

[SEAL] GEORGE B. DOLSON,
Notary Public.

*In the Matter of Representation in the 1917 Supreme Convention
of the Catholic Relief and Beneficiary Association:*

State of New York, }
County of Onondaga, } ss:

I, Frank M. Leary, being duly sworn, do depose and say, I reside in the city of Auburn, New York. I am an insurance member of the Catholic Relief and Beneficiary Association, and am now and have been since January, 1916, president of Council No. 1, one of the subordinate councils of said association.

Constituting a part of the constitution of the Supreme Council of the Catholic Relief and Beneficiary Association in force and effect September 8, 1914, were these two sections now here set forth, viz:

Sec. 92. *Per Diem and Mileage.* "Each delegate to and officer of the Supreme Council shall be allowed per diem at the rate of \$4.00 for the actual time spent in going to, attending and returning from the meeting of the Supreme Council, and railroad fare by the shortest route."

Sec. 161. *Alterations and Amendments.* "Alterations and amendments to the Supreme, Grand or Subordinate Council Constitution may be made at any regular meeting of the Supreme Council by a vote of two-thirds of the members present and entitled to vote. But no amendment shall be acted upon or received but by unanimous consent, unless the same have been forwarded to the Supreme Recorder at least twenty days prior to the opening of the meeting."

In the constitution of the Supreme Council of the Catholic Relief and Beneficiary Association now claimed to be in force and effect, section 92 of the constitution in force September 8, 1914 (the section above set forth), has been eliminated, and in its place and stead (but numbered differently) has been and is inserted as a part of the present constitution this section:

Sec. 23. *Per Diem and Mileage.* "Each officer of the Supreme Council in attendance and taking part in the Supreme Council Convention held during:

His or her term of office shall receive from and be paid by the Supreme Council at the close of each such Supreme Council Convention so attended per diem at the rate of \$4.00 per day for the actual time spent in going to and returning from said meetings of the Supreme Council, and railroad fare from such officer's place of residence to the place of meeting and return by the shortest feasible route. Each representative from Grand or Subordinate Councils having beneficiary members exceeding thirty in number in good standing for the period of six months before the holding of any such Supreme Council Convention, in attendance and taking part in the Supreme Council Convention as representatives from their respective councils held during his or her term of office, shall receive from and be paid by the Supreme Council at the close of each Supreme Council Convention so attended per diem at the rate of \$4.00 per day for the actual time spent in going to, attending and returning from said meetings of the Supreme Council and railroad fare from such representative's place of residence to the place of meeting and return by the shortest feasible route."

It being claimed, so deponent is now informed, that section 92 of the constitution of 1914 (above set forth) was amended as is set forth in section 23 (above quoted).

No proposed amendment to section 92 of the constitution in force September 8, 1914 (the section hereinabove set out), was ever forwarded to the Supreme Recorder, or filed in the Supreme Recorder's office, twenty days prior to September 8, 1914, or at any time before September 8, 1914, that being the date of the beginning of the Supreme Council Convention, nor was any proposed amendment to said section 92 of the constitution then in force filed with the Supreme Recorder, or in the Supreme Recorder's office, at any time during the holding of the convention.

I was present at the Supreme Convention of the Catholic Relief and Beneficiary Association held at Scranton, Pa., September 8-11, 1914, and was present all through the same, and during that time I assisted the Committee on Laws in the matter of amending the constitution, in the drawing up (the preparation) of certain amendments, and during the session of the convention the Committee on Laws drew up the amendment of section 92 of the constitution then in force, and which amendment is carried over in the present constitution as section 23, and is hereinabove set forth, the proposed amendment having had its origin for the first time in the Committee on Laws during the session of the convention.

On the last day of the convention, and on the afternoon of that day, the proposed amendment to section 92 of the constitution then in force, and which had been drawn up for the first time by the Committee on Laws at the session of the convention then being held, was, with other proposed amendments drawn up and prepared by said Committee, read off to the convention. The proposed amendment to section 92 of the constitution then in force being read, its being considered at that time, no notice of it ever having been given before, was objected to by several delegates, and this proposed amendment to section 92 of the constitution then in force never received a vote of two-thirds of the delegates there present and entitled to vote, it never having been put to a vote before the convention, and the same was never

adopted at that convention, either in the manner required by the constitution then in force, nor in any other manner whatever.

FRANK M. LEARY.

Subscribed and sworn to before me

this 15th day of August, 1917.

[SEAL] GEORGE B. DOLSON,
Notary Public.

CATHOLIC BENEVOLENT LEGION

BROOKLYN, N. Y.

Examined to ascertain condition December 31, 1917.

Report dated April 29, 1918.

Examiners: John E. Diefendorf, J. F. Tucker.

FINANCIAL STATEMENT

Ledger Assets

Book value of bonds.....	\$391,834 73	
Cash in banks on interest.....	73,575 71	
Total ledger assets.....		\$465,410 44

Non-Ledger Assets

Interest accrued on bonds.....	\$4,202 08	
Liens on outstanding certificates supported by reserves	3,959,266 98	
Assessments due on November and December calls and received by Supreme Lodge in 1918.	17,669 87	
Total non-ledger assets.....		3,981,133 93
Gross assets		\$4,446,549 37

Assets Not Admitted

Book value of bonds over market value.....	12,574 73	
Total admitted assets.....		\$4,433,974 64

Liabilities

Death claims:

In process of adjustment.....	\$41,750 00	
Less liens deductible.....	16,769 35	
		\$24,980 65

Proof incomplete	3,750 00	
Resisted	8,000 00	
Total claims	\$36,730 65	
Miscellaneous bills	172 30	
Reserve on outstanding certificates valued on Society's own experience table at 4 per cent interest	4,381,747 00	
Total liabilities	4,418,649 95	
Surplus	\$15,324 69	

A statement of the income and disbursements for the year ended December 31, 1917, follows:

Balance December 31, 1916..... \$431,950 19

Income

Assessments	\$457,361 25	
Dues and per capita tax.....	9,133 06	
Extension tax	4,849 97	
Certificate fees	385 00	
Members-at-large cards	26 00	
Fines	6 00	
Total income from members.....	\$471,761 28	
Liens on certificates deducted from death claims	192,125 98	
Interest on liens deducted from death claims..	2,509 54	
Interest on bonds.....	17,848 75	
Interest on bank balances.....	1,621 50	
Sale of lodge supplies.....	300 72	
Official publication	906 63	
Clearing house charges.....	175 98	
Gross profit on sale of bonds.....	278 21	
Total income	687,528 59	
Total	\$1,119,478 78	

Disbursements

Death claims	\$632,392 48
Permanent disability claims.....	3,982 40
Salaries of officers and trustees.....	4,870 17
Other compensation of officers and trustees...	97 00
Extension committee	100 00
Salaries of office employees.....	4,530 00

Prize money	397 50	
Expenses of officers, trustees and committees..	50 40	
Insurance department fees.....	50 00	
Rent	1,200 00	
Advertising, printing and stationery.....	1,403 34	
Postage, express, telegraph and telephone.....	738 46	
Sale of lodge supplies.....	6 00	
Official publication	1,693 50	
Expense of Supreme Lodge meeting.....	801 94	
Legal expense in litigating claims.....	449 00	
Actuary	800 00	
Expense of special meeting.....	247 65	
Premium on officers' bond.....	102 50	
Gross loss on sale of bonds.....	10 63	
Miscellaneous expenses	145 37	
Total disbursements	654,068 34	
Balance December 31, 1917.....	\$465,410 44	

A statement of the income and disbursements of each of the funds of the society for the year ended December 31, 1917, is as follows:

Benefit Fund

Balance December 31, 1916..... \$427,882 45

Income

Assessments	\$457,361 25	
Liens on certificates deducted from death claims	192,125 98	
Interest	21,832 23	
Profit on sale of bonds.....	278 21	
Total income	671,597 67	
Total	\$1,099,480 12	

Disbursements

Death claims	\$632,392 48	
Permanent disability claims (net).....	3,982 40	
Loss on sale of bonds.....	10 63	
Total disbursements	636,385 51	
Balance December 31, 1917.....	\$463,094 61	

Expense Fund

Balance December 31, 1916.....	\$4,067 74
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Income

Dues and per capita tax.....	\$9,133 06
Extension tax	4,849 97
Certificate fees	385 00
Interest on bank deposits.....	147 56
Sale of lodge supplies.....	300 72
Bulletin	906 63
Clearing house charges.....	175 98
Members-at-large cards	26 00
Fines	6 00

Total income	15,930 92
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Total	\$19,998 66
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Disbursements

Expenses of management.....	17,682 83
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Balance December 31, 1917.....	\$2,315 83
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ORGANIZATION

This society was incorporated and commenced business as a fraternal beneficiary society in the year 1881. It limits its membership to males of the Roman Catholic faith between the ages of sixteen and fifty-five.

The society is composed of the supreme council, State councils and subordinate councils.

The supreme council is the governing body and meets regularly once each year and is composed of its charter members, their successors, all supreme chancellors and their successors, the medical examiner-in-chief and the representatives of State councils.

State councils may be instituted in states, territories, districts or counties where five or more subordinate councils are in good standing with a total membership of not less than 250. They enact laws for their own government, subject to the approval of the supreme council, establish subordinate councils, enact laws for the government thereof, within their respective jurisdictions in conformity with the constitution, laws and usages of the supreme council, and have general supervision of the society

within their respective jurisdictions, but have no control of the benefit fund.

Subordinate councils may be organized and exist independently of a State council, in which case they are in all respects directly under the supervision of the supreme council.

Members are required to join the society through the subordinate councils, but should a council disband the members thereof may join some other council, or become members-at-large and pay their assessments direct to the supreme body.

SCOPE OF EXAMINATION

This examination comprised the verification of all assets and liabilities of the society, except the impairment liens and reserves which were computed by the society's consulting actuary, Miles M. Dawson, for the purpose of the regular annual report showing the actuarial condition of the society as of December 31, 1917.

All death claims paid for the calendar year of 1917 were verified by checking the certificates and claim papers with the cancelled checks, and all other disbursements for the year were duly verified by checking the voucher for each payment.

Interest income was completely checked and a substantial check was made of the remittances from local lodges covering assessments paid in by members.

BENEFITS, RATES AND RESERVES

Benefit certificates issued at the present time are on the whole life plan and provide for death benefits ranging from \$250 to \$3,000. Prior to July 1, 1901, certificates for \$4,000 and \$5,000 were also issued, of which some are still in force.

The assessment rates of the society for a great number of years of its history were wholly inadequate as a permanent proposition. In the earlier years the rates were sufficient to meet the current death losses, but later on it developed that the rates being charged, notwithstanding they had been slightly readjusted from time to time, were grossly inadequate to meet the losses.

In the year 1904 a radical readjustment of rates was made, which was absolutely imperative. The new rates adopted were based upon the society's own mortality experience from the date

of its organization and an interest assumption of 4 per cent per annum. Such rates are even higher than the net rates on the American Experience Table of Mortality and $3\frac{1}{2}$ per cent interest, and they were applied to the members who joined prior to September 1st of said year at attained age. What the rate of mortality has been since these rates became effective may be realized when it is known that the annual valuation made as of December 31, 1916, showed the society to be in possession of assets amounting only to about 18 per cent of the required reserve. It should be stated, however, that at the time the 1904 readjustment was made the society had accrued death claims in excess of assets held amounting to about \$183,000, and this indebtedness had to be liquidated by the reserves collected from the members since, which would otherwise have been accumulated for the protection of outstanding certificates.

For a number of years after the 1904 readjustment the management felt that the new rates would ultimately prove adequate and would create also a surplus sufficient to overcome the loss occasioned by the payment of the heavy deficit which existed at the time of readjustment. Moreover, the officers worked diligently to increase the membership by obtaining new members. However, it transpired that many of the best risks left the organization after the said readjustment, which left the society in a weaker condition, by reason of the physical condition, on the average, of the members which remained. It developed that the mortality rate constantly increased and the valuation made as of December 31, 1916, showed plainly that the association must do one of two things, either again increase the assessment rates, or put into effect a by-law which was adopted at the time the 1904 adjustment was made, which reads as follows:

Chapter 1. section 5. A reserve shall be accumulated and maintained upon the following basis, viz: For each Certificate in force on September 1, 1904, the net select and ultimate reserve thereon by the Catholic Benevolent Legion's experience Table and interest at four per cent. per annum. Such reserves shall be sufficient by the aforesaid standards, together with the ultimate net premiums, fixed by the ages on September 1, 1904, for members on that date, if under age 70, and by age 70 if age 70 or over, and fixed by ages last birthday upon admission for members admitted after September 1, 1904, to keep these rates level throughout life, and to assure the payment of all benefits. Each member must maintain to his credit a net balance at least equal to the reserve upon his Certificate; any deficiency shall be a lien upon a member's insurance, accumulating at four per cent. interest, compounded annually, until the same is made good.

It seemed to all concerned that it would be practically impossible to successfully further increase the assessment rate, or to levy extra cash assessments; consequently there was but one alternative, if the society were to continue in business much longer, and that was the putting into effect the provision of the by-law above quoted. As a result, a special meeting of the supreme council was called early in the year 1917, at which time a resolution was adopted authorizing the placing of impairment liens against the certificates of the members who entered the society prior to September 1, 1904, it having been shown by the actuary that the mortality among the members who entered the society subsequently, paying assessments immediately upon the new high rates, was much less than the expected. It was obvious, therefore, that no liens could, in equity, be charged against this class of members.

According to the computation of the actuary, the deficiency in the reserve in the older class was about 90 per cent of the tabular reserve value of each certificate, and the liens were therefore made at this rate. Interest is to be accumulated thereon at the rate of 4 per cent, compounded annually, the total accumulation to be deducted from the face amount of the certificate when the same becomes a claim.

As an illustration, the following exhibit shows the amount of the lien, according to the assessed age in 1904, for the ages indicated:

RESERVE DEFICIENCY LIENS CHARGED ON FEBRUARY 1ST, 1917, AGAINST THE CERTIFICATE OF MEMBERS ADMITTED TO THE LEGION PRIOR TO SEPTEMBER 1ST, 1904.

Age assessed in 1904	In- dustrial grade	1st grade	2d grade	3d grade	4th grade	5th grade	6th grade
	\$250	\$500	\$1,000	\$2,000	\$3,000	\$4,000	\$5,000
20.....	38	77	154	307	461	614	768
25.....	43	85	169	338	507	676	845
30.....	50	100	199	398	597	796	995
35.....	59	119	237	474	712	949	1,186
40.....	69	139	277	554	832	1,109	1,386
45.....	81	162	323	645	968	1,291	1,633
50.....	92	185	368	736	1,104	1,472	1,841
55.....	104	207	414	827	1,241	1,654	2,068
60.....	115	230	459	918	1,377	1,836	2,295
65.....	134	266	533	1,065	1,598	2,130	2,663
70.....	165	328	656	1,312	1,969	2,625	3,281

All ages above 70 the same as 70

The total amount of impairment liens charged against the older members' certificates, with accrued interest, as of December 31, 1917, was \$3,780,916, and this amount, together with the deficiency liens charged against certain members' certificates who elected in 1904 to pay their assessments in the future at the rate at their ages at entry, in lieu of their attained ages, which amounts in the aggregate to \$15,639, and the half cash payment liens amounting to \$162,711.98, have been allowed as assets in the financial statement of this report for the reason that the full reserve is carried as a liability, in pursuance of the provision of section 5, of chapter I, of the constitution and laws, above quoted.

The valuation made by the consulting actuary as of December 31, 1917, showed that the condition of the society had not grown worse during the year, and that there would be no need of increasing the impairment liens for the ensuing year. Whether they will have to be increased in the future depends entirely upon the result of the mortality experience.

The following is a copy of the statement made by the consulting actuary showing the actuarial condition as of the date last above mentioned:

ASSETS, ACTUAL AND CONTINGENT	LIABILITIES, ACTUAL AND CONTINGENT
Admitted assets, less \$2- 315.83 general or ex- pense fund..... \$485,909 44 Liens..... 3,959,266 98	Present mid-year value of promised benefits. All whole life mem- bers admitted prior to September 1, 1904... \$4,240,511 00 Members admitted since September 1, 1904... 141,236 00 Accrued liabilities, 39 deaths, proofs not filed..... 32,994 41
Total..... \$4,445,176 42	Total..... \$4,414,741 41
Amount of general or expense fund..... 2,315 83	Accrued claims on gen- eral or expense fund.. 172 30
Assets to liabilities..... 100.69%	

DISSATISFACTION AMONG OLDER MEMBERS—LITIGATION

Naturally much dissatisfaction arose among the older members when they realized that their insurance is greatly reduced by the impairment lien. Many have refused to pay the regular full assessment for the reduced amount of protection, and have consequently withdrawn from the organization, and the beneficiaries of certain members who have died have refused to accept the reduced amount. Litigation has been begun as the result, and we are informed that there are four cases now pending in court to determine the legality of the action taken by the supreme council in attaching the said liens. One of these cases was brought in the Municipal Court of the city of New York and a verdict was rendered in the lower court in favor of the beneficiary. The case, however, has been appealed and is now in the Appellate Division of the Supreme Court and a decision is expected in the very near future. The other cases were brought in the Supreme Court of this State, except one, which is in the Supreme Court of New Jersey.

The result of these suits will be very important as to the future solvency of the society.

CERTIFICATES AND INSURANCE IN FORCE

The following exhibit shows the number of certificates and amount of insurance in force on December 31, 1917, in both classes of the society, with the number of certificates and amount of insurance terminated and written during the year 1917. It will be noted that 1,052 certificates were terminated in the class joining the society prior to 1904, of which 41 was by death and 641 by lapsation. In the class written since 1904 the total number terminated was 773, of which 56 was by death and 717 by lapsation.

	<i>Certificates written prior to 1904</i>	<i>Amount of insurance</i>	<i>Certificates written since 1904</i>	<i>Amount of insurance</i>	<i>Totals</i>	
					<i>Certificates</i>	<i>Insurance</i>
In force December 31, 1916.....	10,532	\$13,432,250	4,513	\$2,679,000	15,045	\$16,111,250
Certificates written in 1917.....		.....	200	107,000	200	107,000
*Terminated.....	1,052	1,604,500	4,713	\$2,786,000	15,245	\$16,218,250
			773	389,000	1,825	1,993,500
In force December 31, 1917.....	9,480	\$11,827,750	3,940	\$2,397,000	13,420	\$14,224,750
* Terminated:						
By death.....	411	\$604,750	56	\$33,000		
By lapse.....	641	999,750	717	356,000		
	1,052	\$1,604,500	773	\$389,000		

There are at present three State councils, viz.: New York, New Jersey and Maryland, and 325 subordinate councils.

PAID-UP CERTIFICATES

Section 24 of chapter 1 of the constitution and laws of the society provides as follows:

Chapter 1, section 24. Any member in good standing who shall arrive at the age of 70, not having received any permanent disability benefits, may at his option, upon the payment of all dues and assessments then due, surrender his Benefit Certificate to the Secretary of his Council, and if a member-at-large, to the Supreme Secretary, and have issued to him in place thereof a new Benefit Certificate for one-half face value of the Certificate so surrendered less any charges against the same. And thereafter such member shall not be required to pay any further assessments to the Benefit Fund of the Legion, but shall be required, in order to retain his membership in the Legion, and his rights for himself, and his beneficiaries under said new certificate to comply with all the laws of the Legion except the payment of assessments, and if he fails thereafter to pay his dues and other charges, he shall be suspended and forfeit all Benefits under the said new Certificate and in the Legion.

Issuing of such new certificate shall cancel and render null and void all other Benefit Certificate heretofore issued to the member.

A member availing himself of this option and afterward allowing himself to be suspended for non-payment of dues may be reinstated by making application for same to his council in session with a fee of \$1.00 for reinstatement within 60 days after suspension, and notification of such application be filed with Supreme Secretary at once, when, if there be no objection against his reinstatement, the Supreme Secretary shall immediately notify the subordinate officers to again place his name on the roll.

No paid-up certificates have been issued under this section since the placing of the impairment liens on February 1, 1917, for the reason that the lien would have to be deducted from half the amount of the certificate and there would be practically little or nothing left as insurance. There are sixty-eight paid-up policies in force, the total amount of insurance being \$46,654.29. It appears that the member accepting a paid-up policy is not relieved from paying his local lodge dues.

PERMANENT TOTAL DISABILITY

Section 8 of chapter 1 of the constitution and laws provides that half of the amount of the certificate, less any charges against the same, may be paid to a member who shall become permanently disabled from attending to his business and gaining a livelihood,

and who is destitute of the means of support, when he shall arrive at the age of expectancy, as determined in a table set forth therein. It appears that the operation of this provision has also ceased since the placing of the impairment liens, for the reason that the liens must be deducted from half the face of the certificate, and the balance remaining is so small that it amounts to little or nothing.

Officers and Salaries

The following are the supreme lodge officers and their salaries:

	<i>Annual salary</i>
President.....Richard B. Tippet.....	\$1,500
Secretary.....John E. Dunn.....	2,500
Treasurer.....Gottfried J. Reebhausen.....	500

CONCLUSION

It would seem that the future success of this society depends first upon the outcome of the litigation concerning the legality of the impairment liens. If the courts decide this issue against the society, there seems to be little doubt that it has not a chance of continuing business long. If, on the other hand, the courts decide in favor of the society, and impairment liens can be attached to the certificates of members to the full extent of making up any deficiency in the reserve, it is obvious that the society can continue to maintain itself 100 per cent actuarially solvent, although it is reasonable to believe that the members affected by such liens will withdraw in large numbers. It appears that if the litigation results favorably to the society the real hope of saving the organization lies in the class of members who joined since September 1, 1904, and if this class can hold together so that a fair average selection of risks can be maintained, resulting in the mortality rate being kept within the expected, and this class can show a gradual increase in numbers, the success of the society in the future would seem to be assured.

UNITED STATES GRAND LODGE INDEPENDENT ORDER FREE SONS OF ISRAEL

NEW YORK CITY

Examined to ascertain condition August 31, 1917.

Report dated October 1, 1917.

Examiner: J. F. Tucker.

FINANCIAL STATEMENT

Ledger Assets

Book value of real estate.....	\$50,633 34
Mortgage loans on real estate.....	885,750 00
Book value of bonds	115,550 00
Cash in banks.....	116,775 87
Furniture and fixtures.....	2,249 32

Total ledger assets.....	\$1,170,958 53
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Non-Ledger Assets

Accrued interest on bonds.....	\$1,606 25
Accrued interest on mortgages.....	15,087 05
Assessments called, not more than 60 days overdue	20,476 53
Market value of bonds over book value....	1,150 00

Total non-ledger assets.....	38,319 83
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Gross assets	\$1,209,278 36
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Assets Not Admitted

Furniture and fixtures.....	2,249 32
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Total admitted assets.....	\$1,207,029 04
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Liabilities

Death claims	23,965 90
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Surplus for the protection of outstanding certificates.....	\$1,183,063 14
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The income and disbursements for the year ending August 31, 1917, were as follows:

Balance, ledger assets August 31, 1916..... \$1,116,415 59

Income

Mortuary assessments	\$261,107 23
Per capita tax.....	12,855 05
Cards	2 20
Interest on bonds (net).....	2,171 25
Interest on mortgages.....	45,361 61
Interest on bank deposits.....	3,822 66
Net income from real estate	3,610 33
Donations and other income.....	175 00

Total income 329,105 33

Total\$1,445,520 92

Disbursements

Death claims.....	\$257,684 55
Salaries	4,500 00
Traveling expenses	876 37
Postage and telephone.....	252 15
Printing and stationery.....	525 02
Propaganda	1,577 50
Publicity and education	3,265 59
Revision of laws and ritual.....	625 00
Actuary's fees and expenses.....	367 95
Special convention	600 55
Rent and other expenses of home office building (net)	2,614 11
N. F. C. and other congresses.....	348 00
Auditors fees	112 50
Insurance department fees.....	32 00
Surety bonds.....	30 00
Tributes and donations.....	414 85
Depreciation of furniture and fixtures.....	249 93
Sundries	486 32

Total disbursements..... 274,562 39

Balance, ledger assets, August 31, 1917.....\$1,170,958 53

FUNDS

The order is now carrying on its books four funds, viz., the administration fund, the death benefit and reserve fund, the protection fund and the war sufferers fund.

The administration fund is credited with the per capita tax

and the interest on the fund bank deposit, and is charged with the total expenses of management.

The death benefit and reserve fund is credited with mortuary assessments, interest and other income on investments and bank deposits and is charged with the death claims.

The protection fund is credited with deferred assessments deducted from death claims as explained elsewhere in this report. This is a new fund and no charges have as yet been made against it.

The war sufferers fund is credited with contributions from lodges and individuals for the relief of those made destitute by the European war, and is charged when these funds are paid out for that purpose.

The balance in the various funds on August 31, 1917, were as follows:

Administration fund	\$3,263 56
Death benefit and reserve fund.....	1,163,440 57
Protection fund.....	4,134 40
War sufferers fund	120 00
Total (ledger assets).....	\$1,170,958 53

Assets

Real Estate:

For a number of years the order held mortgages on property situated at 1204, 1206 and 1208 Second avenue in the borough of Manhattan. Owing to the failure of the owner of the property to pay taxes and interest the mortgages were foreclosed early in the year 1916, which resulted in the acquisition of the property by the order. The three mortgages amounted to \$49,000, and the accrued interest thereon at the time of foreclosure, to \$1,633.34. The property is therefore carried at the book value of \$50,633.34. This property is the only real estate owned.

The gross rental thereof for the year ended August 31, 1917, was \$6,381, being over 12½ per cent of the book value. The total paid out for taxes, repairs, water rents, commissions and other expenses was \$2,838.84, leaving a net income of \$3,542.16, or nearly 7 per cent of the book value. These figures would indicate that the property is well worth the amount at which it is carried.

Mortgage Loans:

The order has forty-nine mortgage loans on real estate situated in Greater New York, the total principal unpaid thereon as of August 31, 1917, being \$885,750. The management appears to be careful in making such loans and granting renewals thereof. Payments on principal have been made within the last two or three years on the greater number of mortgages now held. With one exception the interest is all paid up to date. The exception is mortgage No. 134, mortgagor Annie Elias. The interest due May 1, 1917, on this mortgage was not paid until September 20, 1917.

Interest due and accrued amounting to \$15,087.05 has been allowed as a non-ledger asset.

Bonds:

The order has in its possession New York City 4½ per cent bonds maturing in 1963, having a par value of \$50,000; receipt from the Guaranty Trust Company of New York for \$35,691.25 covering purchase of \$35,000 par value New York City 4½s of 1967; and interim certificates for United States Government Liberty Loan bonds to the amount of \$30,000.

I have therefore given them credit for such securities as follows:

	<i>Book value</i>	<i>Par value</i>	<i>Market value</i>
New York City 4½% 1963.....	\$49,937 50	\$50,000	\$51,000
New York City 4½% 1967.....	35,612 50	35,000	35,700
U. S. Government Liberty Loan 3½%	30,000 00	30,000	30,000
Total	<u>\$115,550 00</u>	<u>\$115,000</u>	<u>\$116,700</u>

The market value over book value, amounting to \$1,150, has been allowed as a non-ledger asset.

Cash in Banks:

Owing to an apparent reluctance upon the part of the executive board to make investments under present conditions, the order is carrying a large amount of cash in banks, the total on August 31, 1917, being \$116,775.87. The balances were verified

in the usual manner by certificates obtained from the various banking institutions and reconciled with the records of the order.

I would recommend that more investments be made in good securities as soon as possible.

ORGANIZATION AND MEMBERSHIP

The order commenced business in the year 1849 as a fraternal society without insurance features. In 1888 it was incorporated as a fraternal beneficiary society. Men of the Hebrew faith from eighteen to fifty years of age may be admitted to membership. The age limit was raised from forty-five to fifty years at the last convention. Women are not insurable in the order but may be admitted as social members.

There are two classes of members, participating and non-participating. The non-participating are social members only. The participating members are separated into three grades, A. B and C. Those in grade "A" are insured for \$1,000, those in grade "B" for \$500, and those in grade "C" for \$250 each. Grade "B" members pay 55 per cent and grade "C" members 30 per cent of grade "A" rates. No certificates of membership are issued.

The present membership of the order is approximately 7,195, and the insurance in force \$6,727,250. There are eighty-one subordinate lodges located in nineteen States.

In addition to the lodge members there are about seventy-five members-at-large, formerly belonging to lodges now dissolved. Such members pay, in addition to the mortuary assessments, an annual tax of five dollars for the benefit of the administration fund. Members of subordinate lodges each pay two dollars per year into the administration fund. Under the constitution subordinate lodges must remit to the grand lodge on or before the 25th of each month, or become automatically suspended seven days after the latter date. The administration tax must be remitted within thirty days from date of call. As is the custom with nearly all fraternal societies, the grand lodge is lenient in enforcing these rules, believing that a strict enforcement would result in a considerable loss of membership.

RATES

The order was organized and operated for many years upon the post-mortem plan of assessment, the membership being assessed each month at a rate based upon the number of deaths incurred. The collections from members, however, were not sufficient to pay the full amount of the death benefits, the deficiency being made up from the interest receipts on reserve fund investments.

Readjustment:

At a special convention held in January, 1917, a general readjustment was made in the matter of assessments. New rates were adopted and applied to the members at attained age, nearest birthday, on January 1, 1917, the same taking effect March 1, 1917.

The rates adopted by the said convention are not the same as recommended by the actuary employed. The rates recommended by the latter are based upon the American Experience Table of Mortality with 4 per cent interest to be applied to all members at attained age up to fifty. The rates for all members over this age are slightly under the tabular rate for the corresponding age, up to and including age sixty-five. At age 66 and over a flat rate of \$73.25 per annum or \$6.59 per month was recommended. These deductions from the tabular rate for the higher ages were made possible by reason of the fact that the order has on hand assets over all liabilities of over \$1,000,000.

The actuary also recommended a slight increase over one-twelfth of the annual rate for the monthly rate in order to provide for the loss of interest.

However, instead of adopting the rates recommended by the actuary as a whole, the order adopted the annual rates proposed up to and including ages sixty-two, and provided that one-twelfth of the same should be the monthly rate. For all members age sixty-three and over, a flat rate of \$60 per annum or \$5 per month was adopted.

It is apparent that the rates adopted are not adequate according to the recommendation of the actuary, but they are very much greater than those formerly in use and may prove adequate,

or nearly so, in actual practice. The rates described are for mortuary purposes only, and do not include any provision for expenses. The expense fund is provided for by means of a per capita tax collected from the members quarterly.

The new rates are on an annual basis. The year for all insurance in force at the time the rates took effect begins March 1st. The assumption is that all members pay a full annual assessment in advance. Most of them are, however, paying monthly in advance. Hence, upon the death of a member, the order collects from his beneficiary, or deducts from the death benefit paid, the number of monthly assessments necessary to complete the insurance year. Although such deductions or collections are a part of the mortuary fund, a new fund, called the protection fund, was created and all sums collected as above stated are placed therein. The total amount so collected up to August 31, 1917, was \$4,134.40. This fund cannot be legally used for any purpose except the payment of death claims.

EXPENSES OF MANAGEMENT

I wish to call attention to the very low ratio of expense of management of this organization. It was found that the ratio of such expenses to the income received directly from members is only slightly over 6 per cent. The officers deserve to be highly commended for the great economy shown in the management.

OFFICERS

The following are the present officers of the order: Grand master, Solon J. Liebeskind; grand secretary, Abraham Hafer; grand treasurer, Benjamin Blumenthal.

JEWISH NATIONAL WORKERS' ALLIANCE OF AMERICA

NEW YORK CITY

Examined to ascertain condition December 31, 1917.

Report dated April 5, 1918.

Examiner: J. F. Tucker.

FINANCIAL STATEMENT

Ledger Assets

Book value of bonds.....	\$57,867 41
Cash in banks	14,973 17
Cash in office.....	347 24
Advance to local lodge.....	27 50
Total ledger assets.....	<u>\$73,215 32</u>

Non-Ledger Assets

Interest accrued on bonds.....	\$513 96
Interest due on bank balances.....	55 81
Assessments in hands of subordinate lodge officers	2,231 78
Total non-ledger assets.....	<u>2,801 55</u>
Gross assets	<u>\$76,016 87</u>

Assets Not Admitted

Book value of bonds over market value.....	\$47 41
Advance to local lodge.....	27 50
Total assets not admitted.....	<u>74 91</u>
Total admitted assets.....	<u>\$75,941 96</u>

Liabilities

Death claims due and unpaid.....	\$1,000 00
Death claims reported and not adjusted....	750 00
Sick and accident claims.....	228 00
Borrowed money.....	450 00
Interest on borrowed money.....	30 00
Unpaid bills and accounts.....	268 45
	<u>\$2,726 45</u>
Reserve on the American Experience 4% Table of Mortality	21,239 00
Total liabilities	<u>23,965 45</u>
Excess of admitted assets over liabilities, including reserves.....	<u><u>\$51,976 51</u></u>

The income and disbursements for the year ended December 31, 1917, were as follows:

Balance, ledger assets, December 31, 1916.....	\$50,097 55
<i>Income</i>	
First year assessment	\$7,269 86
Subsequent years assessments.....	16,578 63
Disability assessments	16,273 70
Per capita tax.....	5,475 70
Certificate fees.....	350 75
Lodge supplies sold.....	332 58
Bulletin	1,798 65
Educational fund	900 35
Organization fund	471 71
Subcharter	5 00
Borrowed money	1,150 00
Sundry contributions	2,168 21
Interest on bonds (net).....	1,542 99
Interest on bank balances.....	212 96
Total income	54,531 09
Total	\$104,628 64
<i>Disbursements</i>	
Death claims	\$4,500 00
Disability claims	9,234 00
Relief for war sufferers	1,664 51
Palestine Arbiters fund.....	277 01
Denver Sanatorium.....	350 00
Jewish National School.....	350 00
Other contributions	76 01
Borrowed money repaid.....	900 00
Interest on borrowed money.....	15 63
Bulletin	1,720 51
Educational fund	290 65
Mass meeting for Jewish rights.....	37 50
Cash surrender values	89 50
Checks returned, etc.....	81 62
Expenses of management (see expense fund)..	11,826 38
Total disbursements.....	31,413 32
Balance, ledger assets, December 31, 1917.....	\$73,215 32

INVESTMENT BONDS

The society owns bonds of the city of New York having a par value \$48,000 and United States Liberty bonds having a par value of \$10,000. The excess of book value over market

value, amounting only to \$47.41, has been deducted as an asset not admitted.

RESERVE

Article X of the constitution of the society provides as follows:

The Alliance elects, under the provisions of Article VII of the Insurance Law of New York, and especially section 233, paragraph 1 thereof, to provide for meeting the mortuary obligations contracted, when valued by the American Experience Table of Mortality with interest assumption of four per centum per annum, and fixes its rates of contribution at the net rates according to such standard and adopts such standard for the valuation of its certificates, on the basis of the contributions for the first year being used for current mortality and expense, under the provisions of section 242, paragraph 2 of Article VII of the Insurance Law. The Alliance elects to maintain reserves in accordance with such standard and thus to avail itself of the privilege granted by section 231, paragraph 1, subparagraph (b) of Article VII of the Insurance Law to grant to its members extended and paid up protection equal in value to the portion of the reserve to the credit of such members, which surrender values shall be granted only upon application therefor in writing to the general office of the Alliance in the city of New York while the member is in good standing and after the certificate under which application shall have been made, shall have been in force for at least two years, with all contributions fully paid in cash.

The net reserve on certificates in force on December 31, 1917, was computed by the society's consulting actuary, Miles M. Dawson, who certifies that the net reserve on said date, computed on the American Experience Table of Mortality with 4 per cent interest, using the straight modified preliminary term method, is \$21,239. Against this amount the society had assets in the beneficiary fund amounting to \$52,579.37. The amount of death claims unpaid which is chargeable against this fund was \$1,750. The remarkable condition thus shown deserves special attention.

For the purposes of this report, the amount of the reserve above shown, as determined by the said actuary, has been accepted and entered as a liability in the financial statement.

ASSESSMENT RATES AND BENEFICIARY FUND.

Assessment rates are based upon the American Experience Table of Mortality with an interest assumption of 4 per cent, with the rate advanced one year over the actual age. Concerning the portion of the assessments to be credited to the beneficiary fund, the constitution provides as follows:

The Alliance shall issue certificates to its members on the whole life plan, with contributions payable quarterly, semi-annually or annually in advance at the option of the member at rates fixed by the actuary as equivalent under the standards hereinbefore elected; and may issue certificates on the limited payment life or the term plan at the discretion of the general executive committee, at rates fixed by the actuary under the same standards; provided that, if limited payment life certificates be issued, only a portion of the contributions for the first year, not exceeding the contributions for a whole life certificate for the same amount of insurance issued at the same age shall be used for current mortality and expenses.

The Beneficiary Fund of the Alliance shall be composed of all contributions of every member after the expiration of the first membership year and of all contributions of every member during the first year under a limited payment life certificate, over and above the contributions for a whole life certificate for the same amount of insurance issued at the same age, of sums out of the remainder of the contributions of the members for their first membership year, equal to all death claims arising during such membership year.

The above provisions could be made much clearer and the ultimate result be the same, if they were changed so as to provide that all first year assessments on whole life certificates and all such assessments on limited payment certificates, not in excess of the contribution for a whole life certificate, be immediately credited to the general or expense fund, and all first year death claims be paid from the latter fund. The practice now is to ignore the stated provisions entirely, and arbitrarily take two-thirds of the first year's assessment for the general or expense fund, and one-third for the beneficiary fund.

Assessments are collected quarterly. The second quarterly assessment of the year 1915 was passed, representing a dividend to the members. No other dividend has been allowed.

SURRENDER VALUES

During the year 1917, twelve members took advantage of the provision in the certificate permitting them to withdraw and take a cash surrender value. On account of the short duration of membership, however, the total payments amounted to only \$89.50. The surrender values are computed according to the table of rates adopted by the society.

With regard to allowing withdrawal equities, I would call attention to the provision of Article X, which provides that extended and paid-up protection equal in value to the portion of

the reserve to the credit of the members shall be granted only upon application therefor in writing to the general office of the alliance, when the certificate has been in force for at least two years. It would seem that this privilege should not be limited to only those members who make application therefor, but to any member who withdraws from the society after he has been a member for at least two years.

SUSPENDED DEATH CLAIMS

On December 31, 1917, there were several death claims due and unpaid on account of the fact that the beneficiaries could not be reached or were unable to give a legal receipt for the payment. Such items should be deposited in a savings bank in the name of the society in trust for such beneficiaries, and allowed to remain at interest until such time as payment can be legally made.

DISABILITY FUND

Assessments for the disability fund are at the rate of one dollar per quarter for members entering at ages under forty and one dollar twenty per quarter for those entering between the ages of forty and fifty years. The rate does not increase with age but no member over fifty years of age may join the disability fund and all disability benefits cease at age sixty.

Disability benefits were originally granted only to members between the ages of eighteen and forty, the quarterly assessment being ninety cents. At the second convention, held in April, 1914, the benefits were extended to include members forty to fifty years of age, such members paying \$1.10 per quarter. At the same convention a special benefit of \$50 for tuberculosis was added, to apply only to members at least one year in good standing. Ten cents was added to the quarterly assessment on account of this benefit.

Members who have been suspended are not entitled to disability benefits until two weeks after reinstatement, but members sick before suspension are entitled to the sick benefit during suspension, the branch to deduct unpaid assessments from the disability payment. Certificates of illness are signed by three members of the local branch, composing the investigating committee, and are sealed with the seal of the branch. A weekly certificate from the attending physician is also required, excepting in cases

of confinement to a hospital, when one certificate from the hospital, covering the entire period of confinement, is accepted.

Disability benefits are paid at the rate of six dollars per week, not to exceed twelve weeks in any twelve months or for any one illness. No payment is made unless the applicant is ill for at least one week, but the first week is paid for; parts of a week are not. Members afflicted with tuberculosis are entitled to a lump sum payment of \$50 when confined to a sanatorium. This is in addition to the weekly sick benefit.

CONTRIBUTIONS FUND

The society receives from its own branches and from various contributors sums for the purpose of relieving sufferers on account of floods, fires, strikes or the effects of wars, both in this country and abroad. For convenience in reporting such items they are all thrown together in a common fund, although kept separate on the general ledger.

EXPENSE FUND

Each new member pays an initiation fee of forty cents. Per capita taxes are collected quarterly as follows:

For expenses	\$.22
For sundry contributions.....	.08
For educational purposes.....	.05
For official publication.....	.10
Total	\$.45

In addition to the above as hereinbefore stated, two-thirds of the first year assessments are credited to the expense fund.

The total income from members during the year 1917 was \$48,079.87, and the total expense of management, including publication of the bulletin, \$13,546.89 or 28.17 per cent.

Recapitulation of Fund Balances

Mortuary	\$52,579 37
Disability	21,055 03
Contributions	131 44
Total	\$73,765 84
Expense fund overdraft.....	550 52
Ledger assets, December 31, 1917.....	\$73,215 32

ORGANIZATION AND MEMBERSHIP

The society commenced business under a final certificate of authority dated January 6, 1913. The objects, as set forth in its constitution, are:

To provide for the payment of benefits upon the deaths of its members and for the payment of disability, funeral and burial benefits as authorized by Article VII of the Insurance Law, to promote a revival of the Jewish national spirit among the Hebrew population of the United States, and the social, economical and educational betterment of the Jewish masses.

The eligibility of persons for membership is set forth in Article VI of the constitution as follows:

Section 1. Any person of Jewish race and good moral character between 18 and 60 years of age, and who has resided at least six months in the United States, and is in general agreement with the principles of this Alliance, may become a member thereof, upon complying with all conditions and requirements for admission as such and upon being approved, elected and initiated, as provided herein.

Section 2. Sailors, soldiers, policemen, saloon keepers, professional strike breakers, professional gamblers, mining engineers and powder mill workers, cannot become members of this organization.

The growth of the society has been steady during its existence. The following table shows the membership and insurance in force at the end of each year since organization:

<i>Year</i>	<i>Members</i>	<i>Insurance in force</i>
December 31, 1913.....	1,970	\$822,000
December 31, 1914.....	2,351	883,550
December 31, 1915.....	3,165	1,082,250
December 31, 1916.....	4,365	1,450,900
December 31, 1917.....	5,036	1,587,550

The society does business in the States of New York, New Jersey, Pennsylvania and Illinois.

MODERN WOODMEN OF AMERICA

ROCK ISLAND, ILL.

Examined to ascertain condition as of December 31, 1916, by the insurance departments of Illinois, New York, Missouri and Wisconsin.

Report dated June 8, 1917.

Examiners: Lucius Pfouts, for Illinois; John E. Diefendorf and J. F. Tucker, for New York; Henry P. Farrington, for Missouri.

Actuaries: L. A. Anderson, for Wisconsin; John E. Higdon, for Missouri.

FINANCIAL STATEMENT.

	<i>Mortuary funds</i>	<i>Sanatorium funds</i>	<i>Expense funds</i>	<i>Totals</i>
Balance from previous year.	\$13,612,989 01	\$220,377 63	\$1,117,911 12	\$14,951,277 76
INCOME				
All assessments or premiums	\$12,808,643 55			\$12,808,643 55
Dues and per capita tax		\$355,061 89	\$1,183,636 10	1,538,697 99
Certificate fees			10,738 75	10,738 75
Sanitarium donations		321 50		321 50
Total received from members	\$12,808,643 55	\$355,383 39	\$1,194,374 85	\$14,358,401 79
Deduct payments returned to applicants and members			2,490 71	2,490 71
Net amount received from members	\$12,808,643 55	\$355,383 39	\$1,191,884 14	\$14,355,911 08
Gross interest on mortgage loans, less \$11,339.53 accrued interest on mortgages acquired during 1916	7,652 15			7,652 15
Gross interest on bonds less \$1,875.35 accrued interest on bonds acquired during 1916	492,357 75			492,357 75
Gross interest from all other sources	55,428 37	2,151 63	13,761 63	71,341 33
Gross rents from association's property, including \$13,000 for association's occupancy of its own buildings			13,659 40	13,659 40
Sale of lodge supplies			69,771 08	69,771 08
Advertising official paper			52,572 05	52,572 05
Mileage and per diem, State camps			12 86	12 86

	<i>Mortuary funds</i>	<i>Sanatorium funds</i>	<i>Expense funds</i>	<i>Totals</i>
Gross profits on sale or maturity of bonds.....	12,025 74	.....	.....	12,025 74
Gross increase by adjustment in book value of bonds.....	225 65	.....	.....	225 65
Total income.....	\$13,376,333 21	\$357,535 02	\$1,341,661 16	\$15,075,529 39
Amounts carried forward...	\$26,989,322 22	\$577,912 65	\$2,459,572 28	\$30,026,807 15

DISBURSEMENTS

Death claims.....	\$13,960,251 05	.....	.....	\$13,960,251 05
Salaries of deputies and Organizers.....	.....	.....	\$607,687 28	607,687 28
Salaries of officers — No. 3.....	.....	.....	22,430 00	22,430 00
Other compensation of officers and trustees.....	.....	.....	29,993 33	29,993 33
Salaries and other compensation of committees....	.....	.....	10,500 00	10,500 00
Salaries of office employees — No. 148.....	.....	.....	134,453 07	134,453 07
Salaries and fees paid to Supreme Medical Examiners.....	.....	.....	24,467 64	24,467 64
Salaries and fees paid to Subordinate Medical Examiners.....	.....	.....	4,145 28	4,145 28
Traveling and other expenses of officers, trustees and committees.....	.....	.....	12,842 10	12,842 10
Insurance Department fees.....	.....	.....	1,281 45	1,281 45
Rent, including \$13,000 for association's occupancy of its own buildings.....	.....	.....	15,400 00	15,400 00
Advertising, printing and stationery.....	.....	.....	7,466 32	7,466 32
Postage, express, telegraph and telephone.....	.....	.....	19,321 78	19,321 78
Lodge supplies.....	.....	.....	60,689 03	60,689 03
Official publication.....	.....	.....	163,191 26	163,191 26
Expenses of Supreme Lodge meeting.....	.....	.....	551 16	551 16
Legal expense in litigating claims.....	.....	.....	23,814 72	23,814 72
Other legal expenses — salary General Attorney....	.....	.....	8,346 00	8,346 00
Furniture and fixtures, library.....	.....	.....	6,508 69	6,508 69
Taxes, repairs and other expenses on real estate....	.....	.....	28,980 78	28,980 78
All other disbursements — expense Head Consul's office.....	.....	.....	18,329 97	18,329 97
Expense, lecturers.....	.....	.....	54,807 32	54,807 32
Expense, inspectors.....	.....	.....	21,318 01	21,318 01
Expense, Foresters.....	.....	.....	2,287 84	2,287 84
Prizes and free supplies....	.....	.....	5,426 06	5,426 06
Expense, head office.....	.....	.....	4,971 00	4,971 00
Office supplies (all head offices).....	.....	.....	31,948 24	31,948 24

	<i>Mortuary funds</i>	<i>Sanatorium funds</i>	<i>Expense funds</i>	<i>Totals</i>
Surety bonds.....			17,511 39	
Light, fuel and water meter.....			3,770 21	
Expense, head banker's office.....			3,222 61	
Interest, contested claims..			2,007 62	
Investigating claims.....			5,848 05	
Salary, editor.....			4,992 83	
Expense, advertising in official paper.....			9,243 87	
Fraternal Congress.....			358 99	
National Fraternal Cong- ress of America.....			3,225 42	
Special audit.....			1,262 14	
Head camp committees....			10,246 72	
Electrotype department...			209 48	
Class adoptions.....			2,740 41	
Income tax.....			320 12	
Expense executive council..			42 21	
Expense, local camps.....			1,298 36	
Expense, investments.....			458 30	
Total.....				\$205,847 17
Mortgage Commission....	175 44			175 44
Sanatorium Chattel.....		\$23,712 02		23,712 02
Sanatorium, maintenance and operation.....		185,274 88		185,274 88
Sanatorium extension and publicity.....		3,430 75		3,430 75
Sanatorium Committee....		96 50		96 50
Gross decrease by adjust- ment in book value of bonds.....	20,240 13			20,240 13
Total disbursements..	\$13,980,666 62	\$212,514 15	\$1,387,917 06	\$15,581,097 83
Balance before transfers..	\$13,008,655 60	\$365,398 50	\$1,071,655 22	\$14,445,709 32
Increase by transfers.....		477,074 40	2,829 75	479,904 15
Balance.....	\$13,008,655 60	\$842,472 90	\$1,074,484 97	\$14,925,613 47
Decrease by transfers.....	2,829 75		477,074 40	479,904 15
Balance.....	\$13,005,825 85	\$842,472 90	\$597,410 57	\$14,445,709 32

SUMMARY OF TRANSFERS

1 Date of transfer	2 From the	3 To the	4 Amount
1 January 24, 1916.....	Benefit fund.....	General fund.....	\$1,425 65
2 July 12, 1916.....	Benefit fund.....	General fund.....	1,404 10
3			
4 January 1, 1916.....	General fund.....	Sanatorium (real estate) fund.	477,074 40

A separate "Real Estate Sanatorium" account with balance \$477,074.40, as shown above, was opened January 1, 1916, by transferring said amount from expense fund real estate balance at close of business 1915, being actual disbursements from expense

account for sanatorium real estate prior to establishment of separate sanatorium fund collected as per section 55a, revision 1914 by-laws. Since January 1, 1916, all appropriations account sanatorium real estate have been disbursed from sanatorium fund and entered in "Real Estate Sanatorium" account.

ASSESSMENTS REBATED

By order of the board of directors, during 1916, \$2,829.75 benefit assessments were rebated to members whose certificates were voided account engaging in prohibited occupations. Rebates originally disbursed from expense fund subsequently retransferred thereto.

LEDGER ASSETS

Book value of real estate:		
Home buildings, etc., in Rock Island....	\$377,898 22	
Sanatorium land.....	13,480 00	
Sanatorium buildings.....	728,346 51	
		\$1,124,724 73
Mortgage loans on real estate, first liens.....	960,345 00	
Book value of bonds.....	8,316,687 24	
Deposited in trust companies and banks on interest:		
Benefit fund.....	\$3,728,793 61	
General fund.....	219,512 35	
Sanatorium fund.....	95,646 39	
		4,043,952 35
Total ledger assets.....	\$14,445,709 32	\$14,445,709 32

NON-LEDGER ASSETS

Interest accrued on mortgages.....	\$21,500 27	
Interest due \$1,525 and accrued \$139,745.38 on bonds.....	141,270 38	
Interest on bank deposits.....	21,977 31	
Total interest.....		184,747 96
Market value (not including interest) of bonds over book value.....		53,762 81
Assessments actually collected by subordinate lodges not yet turned over to supreme lodge.....		1,090,000 00
All other assets:		
Audit fund, being collections from subordinate lodges in hands of head clerk not yet distributed to credit of different funds.....		426,703 28
Gross assets.....		\$16,200,923 37

DEDUCT ASSETS NOT ADMITTED

Market value of special deposits in excess of corresponding liabilities.....	26,970 00
Total admitted assets.....	\$16,173,953 37

LIABILITIES

Death claims due and unpaid, No. 116.....	\$212,304 20
Death claims resisted, No. 82.....	111,550 00
Death claims reported, but not yet adjusted, No. 742.....	1,242,000 00
Death claims incurred in 1916 not reported until 1917, No. 267.....	440,500 00
Total death claims unpaid.....	\$2,006,354 20
Salaries, rents, expenses, commissions, etc., due or accrued.....	102,605 26
All other liabilities, viz.:	
Commissions accrued on mortgages.....	446 10
Total.....	<u>\$2,109,405 56</u>

EXHIBIT OF CERTIFICATES

Year	Certificates written	Insurance	In force December 31 — certificates	Insurance
1913.....	32,556	\$42,733,500	908,432	\$1,437,402,500
1914.....	64,206	91,748,000	923,136	1,477,584,500
1915.....	74,764	100,346,500	940,225	1,499,561,500
1916.....	116,305	156,058,000	1,008,410	1,588,098,500

Income:

Twelve mortuary assessments collected during the year 1916 produced \$12,808,643.55. Dues and per capita tax produced for the expense or general fund \$1,183,636.10, and for the sanatorium fund an assessment of three cents per month from each member of every camp produced \$355,061.89.

The society charges itself with a rental of \$13,000 per annum for the occupancy of its own building in Rock Island.

Disbursements:

The payroll for the sanatorium and various other items of expense are simply reported by the superintendent and an order is drawn for the amount in his favor, no receipt from the individual employee or other person showing amount actually received being on file with the head office. We are given to understand, however, that the board of auditors makes periodical visits to the sanatorium and checks every item of disbursement.

*Assets and Liabilities**Real Estate:*

For the purpose of this report no deductions have been made from the book value of the real estate owned by the association, which comprises the home office buildings at Rock Island, Illinois, and the sanatorium buildings near Colorado Springs, Col. However, it is our opinion that an official appraisal should be made

by a representative of the Illinois Insurance Department of the fair market value of the buildings in Rock Island, and if such value is below the book value, the request be made that 20 per cent of the difference be charged off each year for a period of five years.

Mortgage Loans:

For the past two years part of the benefit fund has been invested in farm mortgages at a very satisfactory rate of interest. Most of them are bought from some responsible mortgage loan or trust company, with a contract to repurchase the loan at any time within twelve months from date of purchase, if upon investigation it is not in every way satisfactory to the society. The papers in the hands of the society were carefully scrutinized by your examiners and any deficiencies or objections were supplied or received attention during the course of the examination.

The society at the time of purchasing the mortgage loans enters into an agreement with the institution offering the loan that the society shall have one year for examination of all papers submitted with the loan, as well as for the examination of the value of the land described in the mortgage. We find that the custom of the society is to record the assignment of such loans only after the legal opinion as to title by the attorney for the society and a valuation made by the inspectors, appointed by the board of directors of the society, and the loan is finally accepted. The rule of the society to loan only 40 per cent of the value of the land, irrespective of the value of the buildings, unless the latter are fully covered by insurance, gives them an unusually well secured class of loans, and the scrutiny of all the documents by the legal department is most rigid.

Bonds:

The bonds, which are all municipal, county or school district bonds, were inspected and counted in the vaults of the Union Savings Bank, Davenport, Iowa, where they are deposited, the board of directors being responsible for their safekeeping.

Cash Deposits:

The cash of the society is deposited in 149 banks in different parts of the country, the head banker being the custodian of its funds. Certificates were received from all the depository banks and reconciliation made for outstanding orders.

These deposits bear 2 per cent interest, payable quarterly, and a satisfactory surety bond is furnished the society in each instance to indemnify it against loss. It will be observed that on December 31, 1916, the amount of cash on deposit to the credit of the mortuary fund was \$3,728,793.61, which is greatly in excess of the amount required to pay current liabilities. Section 144 of the by-laws provides that the amount of funds "to pay current liabilities shall not exceed \$2,000,000." The interests of the society demand that a larger amount of this fund should be invested in farm loans or bonds, while the amount of cash on hand is in excess of the amount limited by the by-laws, the facts are that during the last three (3) months of the year bonds of a book value of \$1,292,348.78 were sold for cash, the purpose of selling these bonds being to reinvest in farm mortgages, but such purchases were not concluded until later. We find that mortgage loans aggregating \$2,000,000 have been made during the months of January to June of this year, which reduced the balance of cash in the benefit account in bank to less than \$2,000,000, which is the amount limited by the by-laws referred to.

Non-Ledger Assets

Interest:

The interest due and accrued on mortgages, bonds and bank deposits was carefully computed and checked.

A premium of $\frac{1}{4}$ or $\frac{1}{2}$ of 1 per cent on some of the mortgage loans is payable annually to the company from which the loans were purchased. This accrued premium has been computed and the amount entered in the statement under liabilities.

Market Value of Bonds:

The market value of bonds in excess of book value has been calculated in accordance with the basis of valuation adopted by the committee of the National Convention of Insurance Commissioners and credit given accordingly.

Assessment:

Credit is taken for one assessment in the hands of subordinate lodges not yet turned over to the supreme lodge and the estimated amount shown in the December 31 statement was subsequently proved to be within a few hundred dollars of the amount collected.

Audit Fund:

The Audit Fund consists of collections in the hands of the head clerk which have not yet been audited or distributed to the credit of the various funds to which they belong. We have given credit for the amount, \$426,703.28, under non-ledger assets.

*Liabilities**Death Claims:*

Death claims are paid by means of a sight draft drawn on the head banker. The draft bears the signatures of the head counsel, head clerk and five directors. The beneficiary is directed to properly endorse the draft and forward it to the head banker, accompanied by the benefit certificate. The head banker then issues his draft in payment of the claim.

The original application, benefit certificate, all proofs of death and the draft on the head banker are filed in each claim jacket. All claim payments made during the year 1916 were verified. The papers were first checked into the death claim register and all unpaid claims accounted for. The drafts were checked into the "Record of Benefit Orders Issued," which corresponds to a cash book and the totals traced through to the ledger.

About eight thousand claims were examined. There are a number of claims in which the age given in the proofs of death differs from that in the original application, upon which the assessments paid have been based. If the death proofs show that the insured was under the age stated in the application the difference is ignored; if over age the matter is taken up with the beneficiary and the difference in rate collected before the claim is paid. Not all claims were examined for differences in age, but enough differences were found to indicate the policy of the society.

Rejected claims are carried as liabilities until the time within which suit may be commenced has expired. The claims are then classed as "dropped" and filed as finally disposed of. The principal causes of rejections are hazardous or prohibited occupations, misrepresentations, excessive use of alcohol, illegal reinstatement and first year suicide. The board of directors pass upon all claims. They appear to be liberal in their treatment of claimants and do not reject claims without just cause.

The society reported in its annual statement 240 claims, amounting to \$392,000, notices of which were not received until after December 31, 1916, although the deaths occurred during 1916. This item included only such claims as were reported during the month of January, 1917. During February, March and April, 1917, notices of twenty-seven additional claims, amounting to \$48,500, were received.

Owing to subsequent information not available at the time the society completed its annual statement slight changes have been made in the amount of claims resisted at the end of the year.

The liability of the society on account of its benefit certificates and the necessity of increasing the number of assessments, or adjusting its rates, in order that it may fulfill its contracts and avoid disaster is fully discussed in the report of the actuaries taking part in this examination, which is attached to and made part of this report.

The following statement, showing the relation of mortuary assessments to death losses incurred for the past five years, in each of which twelve assessments were made, indicates clearly that in spite of an increasing number of members the death losses incurred increased out of all proportion and show an excess over assessments in 1916 of \$1,203,856.45. From this it will be seen that unless heroic action is taken the entire Mortuary Fund of the society will shortly be expended in paying excess death losses and the dissolution of the society cannot be long deferred.

<i>Year</i>	<i>Number of members</i>	<i>Receipts from mortuary assessments</i>	<i>Death losses incurred</i>	<i>Excess of receipts over losses</i>	<i>Excess of losses over receipts</i>
1912.....	962,966	\$14,010,099 50	\$12,212,500 00	\$1,797,599 50	.....
1913.....	919,874	12,443,215 45	12,137,500 00	305,715 45	.....
1914.....	933,550	12,191,112 95	11,824,000 00	367,112 95	.....
1915.....	958,831	12,411,713 85	12,879,500 00	.....	\$467,786 15
1916.....	1,022,844	12,808,643 55	14,012,500 00	.....	1,203,856 45

GENERAL COMMENT

The books and accounts of the society appear to be carefully and correctly kept and the system of checks over receipts and disbursements is satisfactory and effective. A salaried board of auditors makes a quarterly audit of same and the State Medical Directors and all other officials, directors and managers of departments are under good and sufficient bond and the affairs of the

society appear to be conducted in accordance with its constitution and by-laws.

ACTUARIAL REPORT

I. Valuations

The society has furnished a valuation report as of December 31, 1916, to each state department that requires such report by law, or by departmental ruling. This valuation was made by the prospective method and was based on the Modern Woodmen Table of Mortality and 4 per cent interest.

We have checked the work for this valuation and found it substantially correct. The results shown thereby are as follows:

(a) Valuation, December 31, 1916, M. W. A., Table of Mortality and 4 per cent interest:

Present mid-year value of promised benefits.....	\$605,574,100
Present mid-year value of future contributions.....	198,023,600
Tabular amount required to mature promised benefits.....	407,550,500
Amount available for claims, less accrued liabilities.....	12,739,379
Tabular deficit	394,811,121

A like valuation was made on the National Fraternal Congress Table of Mortality and 4 per cent interest, and those results are given below for the purpose of comparison.

(b) Valuation December 31, 1916, N. F. C., Table of Mortality and 4 per cent interest:

Present mid-year value of promised benefits.....	\$630,485,100
Present mid-year value of future contributions.....	202,575,200
Tabular amount required to meet promised benefits.....	427,909,900
Amount available for claims, less accumulated liabilities.....	12,739,379
Tabular deficit	415,170,521

II. Tendency of Financial Conditions of the Society as shown by Valuation Report of the Last Five Years

Column "A," below, is the difference between the present value of future benefits and future net contributions, or the tabular amounts the society should have had on hand to mature its contracts.

Column "B" is the difference between funds available for future claims and accrued liabilities.

Column "C" is the difference between the amounts of Columns "A" and "B," or tabular deficit for each year.

Column "D" is the percentage of "Actual and Contingent Assets" to "Actual and Contingent Liabilities," as reported in convention valuation blank.

The "Actual and Contingent Assets" is the sum of "The Present Mid-year Value of Future Net Contributions" and "The Assets Available for Payment of Claims."

The "Actual and Contingent Liabilities" is the sum of "The Present Mid-year Value of Future Benefits" and "The Accrued Liabilities."

<i>Year of valuation report</i>	<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>
1912.....	\$333,770,614	\$10,808,536	\$322,962,078	40.21
1913.....	338,882,498	11,001,355	327,881,143	38.79
1914.....	360,743,437	12,587,295	348,156,142	37.29
1915.....	366,650,154	12,726,467	353,923,687	37.27
1916.....	407,550,540	12,730,379	394,811,161	34.97

Columns "E," "F" and "G" are the annual increase in Columns "A," "B" and "C" respectively.

<i>Year</i>	<i>E</i>	<i>F</i>	<i>G</i>
1912 to 1913.....	\$5,111,884	\$192,819	\$4,919,065
1913 to 1914.....	21,860,939	1,585,940	20,274,999
1914 to 1915.....	5,906,717	139,172	5,767,545
1915 to 1916.....	40,900,386	12,912	40,887,474

III. Mortality Experience

(a) Current Cost

Current costs tests were made from Schedule VI of the annual statements for the last four years and the percentage of actual death losses to expected death losses by years is given in the following table. The expected mortality for this test was based on the Modern Woodmen Table of 1910 and 4 per cent interest.

1913	111.0%	1915	105.6%
1914	103.1%	1916	107.3%

This test shows a somewhat higher percentage of mortality than is shown in the tests of the mortality table mentioned later, for the following reasons:

1. This test is made on a certificate basis while later tests are made on a membership basis.
2. The average amount of certificates under which deaths were

incurred are from $16\frac{2}{3}$ to 20 per cent larger than the average amount of certificates of the entire membership, which represents the exposure.

3. These years include the consequences of heavy lapses following the attempted increase in rates during 1912. Approximately 25 per cent of the membership lapsed at this time. Also during the session of head camp held in Toledo, in 1914, a resolution was adopted permitting unrestricted reinstatements of the members having lapsed, because of the attempted raise in rates. This action made possible additional adverse selection against the society, which contributed its share to the increased mortality experience of the years 1912 to 1916, inclusive.

(b) *Mortality Table*

1. A membership test of mortality was made for all exposures since 1910 (1911 to 1916, inclusive), excluding the first five years of each certificate, so that the exposures would be on the same basis as those from which the table was compiled in 1910. The results are as follows:

Total exposures	4,502,153
Actual deaths	37,142
Expected deaths (M. W. A. table)	36,018.53
Percentage of actual deaths to expected deaths.....	103.12%

2. Results had already been compiled in the office as a part of the mortality history of the society, covering the entire existence of the society from 1883 to December 31, 1916, excluding the first five years of each certificate. The results thus obtained are as follows:

Total exposures	9,356,061
Actual deaths	69,012
Expected deaths (M. W. A. table)	68,707.4
Percentage of actual deaths to expected deaths.....	101.9

3. A third membership test was made on all the exposures from 1883 to 1916, inclusive, excluding the first nine years of each certificate, with the following results:

Total exposures	5,413,106
Actual deaths	48,378
Expected deaths (M. W. A. table)	48,138
Percentage of actual deaths to expected deaths.....	100.5

This last test indicates that for Modern Woodmen experience, without any disturbing circumstances, the Modern Woodmen Table of Mortality, compiled in 1910, is an ultimate table. It is also evident from the first and second tests that while readjusting rates the M. W. A. Table of Mortality is not a measure of the society's actual experience. The variations shown in society's experience during the years 1912 to 1916 should not be taken as a full measure of the effects of rerating on the society's mortality experience, for the injunction against increased rates, secured in the courts of Illinois and Iowa before the time the new rates should go into effect, probably reduced the ultimate consequences of this attempt quite materially.

These tests, taken with current cost test also indicate, first, that the effects of rerating was heaviest among certificates that had been in force five years or less.

Second, that the effect of rerating, in a less marked degree, is found among certificates in force over five years, but less than ten years.

Third, that certificates in force more than nine years were not materially disturbed.

4. From results already compiled in the office covering the entire mortality history of the society (including the first five years of all certificates) from 1883 to 1916, inclusive, we submit the following results:

Total exposures	16,427,729.5
Actual deaths	97,208
Expected deaths (M. W. A. table)	98,929
Percentage of actual to expected deaths.....	98.0

This indicates that the adverse consequence of rerating in 1912, up to the present time, has practically annulled all the gains from favorable selection during the entire history of the society. The effects of this attempt at rerating may continue in future years and make this percentage in the future even larger.

IV. *Certificates*

The certificates issued by the society provide benefits on the whole life plan, but the rates collected are not sufficient to mature such a contract even if twelve full assessments had been collected

for each year. Twelve full assessments have been collected for each of the last five years, but prior to 1912 one or more assessments for each year have been omitted.

The rates have been changed more than once since the society was organized, but the ones now being collected were adopted in 1904.

The actuarial department has computed the length of term that these rates will maintain certificates in force without loss to the society. The computations were made for all ages and were based on the M. W. A. Experience Table of Mortality (100 per cent), 4 per cent interest and twelve full assessments. The following table illustrates some of these results:

<i>Age at entry</i>	<i>Length of term</i>	<i>Age at entry</i>	<i>Length of term</i>
18.....	52 years	40.....	28 years
20.....	48 years	45.....	21 years
25.....	39 years	50.....	17 years
30.....	38 years	55.....	10 years
35.....	33 years	60.....	4 years

It is evident from this table that the present rates are not only inadequate for whole life certificates, but also inequitable as between members of different ages. This also shows that the society is now carrying many certificates beyond the term that these rates will purchase and therefore below current cost.

The officers and the management of the society, since 1904, have consistently reported this condition of inadequate rates to the camps and membership through their triennial reports.

V. Rate Readjustment

1. Of the Past:

The changes in rates prior to and including that of 1904 were accepted by the members without any opposition of any consequence.

Because the state legislatures of a number of states in which the society was doing business adopted either the "Mobile Bill" or the "New York Conference Bill" as the fraternal law of their respective states, the head camp, which met at Buffalo, New York, in 1911, adopted a resolution for an adjourned session in Chicago in the following January, and empowered the executive council

to prepare all details necessary for properly considering the question of meeting this new legislation. The executive council appointed a committee of five to study the needs of the situation and report a plan of rate revision.

This committee reported that the rates then in use were inadequate and inequitable and proposed that each member be offered the option of changing his certificate to any one of the following plans of insurance:

1. Whole life insurance.
2. Term insurance to age 50.
3. Term insurance to age 60.
4. Term insurance to age 70.
5. Whole life insurance for such an amount as the present rates will purchase.
6. Term insurance for face of certificate for such a term as the present rates will purchase.

All these plans were to be on adequate level premium rates, using M. W. A. Experience Table of Mortality and 4 per cent interest as a standard.

This report of the rate committee also contemplated amending the by-laws of the society so that every member would either choose the form of certificate he desired by January 1, 1913, or on that date be automatically changed to Plan No. 1.

During January, 1912, the adjourned session of the Buffalo head camp met in Chicago, and after deliberating several days attempted to adopt the recommendations of the rate committee substantially as reported, and to amend the by-laws so that the management could put the new plan in operation.

The Circuit Court of Sangamon County, Illinois, in 1912, restrained and enjoined the officers and management from enforcing this rate revision on the ground that the increase in rates was unnecessary and unreasonable. In April, 1913, the Appellate Court of Illinois affirmed the decree of the lower court and declared that the plan of rate revision and change of by-laws were void and inoperative because they were not legally adopted.

Litigation in the state of Iowa, in 1912, resulted in a similar decision, with the additional finding that the original rates are a part of the contract and cannot be changed without the consent of the insured.

As a result of these decisions the society has undergone much of the adverse consequences of a rate revision without accomplishing the revision or securing any benefits therefrom.

2. *Of the Future:*

The enormous difference between the amount that should be in the hands of the society for maturing future claims, and the funds now available for that purpose (see Table "A," "B" and "C") shows conclusively that the society must increase its rates or soon levy more than twelve assessments per year to meet the increase in current mortality cost. It is significant that this deficit has been shown by using the society's own experience as the standard for measuring the future losses.

The rapid increase in this deficit (see Table "G") also indicates that, without readjustment of rates, the time of extra assessments is not many years in the future.

The continuously decreasing percentage of "Actual Contingent Assets" to "Actual and Contingent Liabilities" contained in the valuation of reports to State departments (see Table "D") indicates unmistakably that the society, without readjusting rates or increasing the number of its assessments, can not comply with the statutes of those States whose Legislatures have adopted the "Mobile Bill" or similar legislation as the fraternal code of their respective States.

The attempted rate revision of 1912 shows the temper of the members of the society on this question. If the action of their representatives in the supreme legislative body is not to their liking, they seek relief in the courts, or cast the final and effectual vote on the question by leaving the society and thereby force upon it not only abnormal expense but abnormal mortality experience.

Therefore one important problem to be met in any future rate adjustment is the legal one. Illegal procedure with its enormous expense is too costly to repeat if a safe legal course can be determined beforehand. The possibility of successful opposition should be reduced to a minimum by due regard for the rights of existing members under their old contracts.

An equally important problem is that of securing as far as possible the co-operation of the members. No member or set of members should deny those who desire it the privilege of hav-

ing certificates on adequate rates, and due protection for the additional funds contributed for that purpose. The "adequate rate" advocates should be equally willing to concede the privilege of continuing a contract already made, on a "current cost" basis with the inevitable additional assessments resulting therefrom, providing the members selecting this plan assume all of the consequences thereof.

NATIONAL TEMPERANCE LIFE INSURANCE SOCIETY

NEW YORK CITY

Examined to ascertain condition December 31, 1917.

Report dated April 18, 1918.

Examiner: J. F. Tucker.

FINANCIAL STATEMENT

Ledger Assets

Cash in banks.....	\$1,951 12	
Cash in office.....	714 82	
Bills receivable	22 95	
Total ledger assets.....		\$2,688 89

Non-Ledger Assets

Deferred assessments offset by reserves charged as a liability..	3,622 13	
Gross assets		\$6,311 02

Assets Not Admitted

Bills receivable	22 95	
Total admitted assets.....		\$6,288 07

Liabilities

Reserves on American Experience Table at 4% interest	\$14,876 00	
Assessments paid in advance.....	24 62	
Unpaid bills and accounts.....	1,851 28	
Total liabilities		16,751 90
Excess of liabilities over assets.....		\$10,463 83

The foregoing figures show a deficiency of \$10,463.83. This is principally due to the use, during the year 1917, of mortuary funds for expense purposes. I am informed by the secretary that on February 26, 1918, the directors, at a special meeting of the board called for the purpose of considering the financial condition of the society, unanimously agreed that the impairment should be made good immediately and that a surplus sufficient to protect the reserve from further impairment should be provided.

No funds up to the date of this report have been contributed toward the deficiency. The secretary has awaited the computation of the reserve by this Department, in order to ascertain what amount the directors should be called upon to pay in.

Since December 31, 1917, no death claims have been incurred. The office space occupied has been reduced and the secretary states that other economies will be effected in order to bring the expenses of the society within the expense portion of the assessments to be collected in the future.

Reserves

The reserve liability entered in the foregoing financial statement was computed by the actuary of this Department on the mean reserve basis, disregarding the disability feature of the certificate. The computation was made on the assumption that the full current year's assessment had been paid in advance. Hence, an allowance has been made for the deferred portion of the full annual assessment to the end of the certificate year on each certificate, and this has been included in the above statement as an asset.

The total amount of the reserve, computed as above stated, is included in the statement of liabilities, for the reason that the society has contracted with its members to accumulate and maintain the same on the basis of the American experience table of mortality with 4 per cent interest assumption.

Income and Disbursements

The income and disbursements for the year ended December 31, 1917, were as follows:

Balance ledger assets December 31, 1916..... \$10,759 78

Income

Certificate fees	\$31 04	
First year's assessments.....	658 93	
Subsequent years' assessments.....	8,529 25	
Interest on bank deposits.....	82 73	
		9,301 95
 Total		 \$20,061 73

Disbursements

Death claims	\$1,000 00	
Salary of secretary.....	3,600 00	
Salaries of office employees.....	2,490 00	
Salary of medical director.....	50 00	
Salaries of agents.....	675 00	
Commissions and advances to agents.....	3,130 95	
Traveling expenses of officers.....	506 06	
Traveling expenses of agents.....	1,463 53	
Rent	1,409 11	
Postage, express, telegraph and telephone....	644 60	
Advertising, printing and stationery.....	1,424 47	
Insurance department fees.....	30 00	
Actuarial fees	450 00	
Medical examiner's fees.....	287 00	
General expense	212 12	
Total disbursements		17,372 84
 Balance ledger assets December 31, 1917.....		 \$2,688 89

FUNDS

The table of rates adopted by the society provides for an expense loading of \$2.50 per \$1,000 of insurance, plus 10 per cent of the assessment. The by-laws require, however, that only an amount sufficient to maintain the reserve shall be credited to the mortuary fund. In submitting its annual statements, the society has followed the last named provision. No separation of funds has been made on the society's records. As the proper balance in the mortuary fund as of December 31, 1917, would.

according to the above provision, be the amount of the reserve only, no separation of funds has been shown in this report.

PLANS OF INSURANCE

Two kinds of certificates, whole life and ten-year renewable term, are issued by the society. Each of these is, in turn, divided into two classes, one payable in one installment at death, and the other in ten equal annual installments.

Under each of the whole life plans a member reaching the age of seventy years is entitled to receive 10 per cent of the amount of his certificate and 10 per cent on each anniversary thereafter during his lifetime. Upon the death of the member, any amount less than the face of the certificate still unpaid becomes immediately payable to the beneficiary as a death claim.

Permanent total disability entitles the member to receive 10 per cent of the amount of the certificate each year for ten years. If death occurs before the ten payments have been made, the unpaid portion becomes immediately payable to the beneficiary. Assessments continue until the death of the member.

The ten-year term certificates are renewable without medical examination at the end of each ten-year period, up to age sixty, at the rate for attained age at time of renewal. Members insured under the term plans may change to the whole life plan at any time within seven years of the original issue without medical examination.

Only total abstainers from the use of alcoholic beverages are admitted to membership in the society and any member selling, manufacturing or using intoxicants forfeits any withdrawal equities which he might otherwise have and the amount payable at his death is reduced to whatever sum he may have paid in assessments, less the expense portion thereof.

A special feature of all certificates issued by the society is the provision that 10 per cent of the face of the certificate becomes payable to the beneficiary immediately upon receipt, at the home office, of notice and satisfactory assurance of the death of the member, the payment of the remainder to await the final proofs of death.

This society commenced business in September, 1914, and is

licensed to do business in the States of New York, Pennsylvania, Maryland and New Jersey.

The following figures show the gross income and disbursements of this society from organization to December 31, 1917:

<i>Income</i>	
Total payments by members.....	\$35,805 29
Donations by directors.....	9,060 78
Temperance Development and Agency Company of Pennsylvania	15,000 00
Interest on bank balances.....	248 54
Total income	\$60,114 61
<i>Disbursements</i>	
Death claims	\$3,000 00
Salary of secretary.....	11,900 00
Salary of actuary.....	1,750 00
Salaries of office employees.....	8,578 75
Salaries of agents.....	2,401 98
Commissions to agents.....	4,894 68
Advances to agents.....	3,130 95
Traveling expenses of agents.....	4,695 10
Traveling expenses of officers.....	2,135 08
Salaries of medical directors.....	150 00
Medical examiner's fees.....	954 51
Rent of office.....	5,109 23
Postage, express, telephone and telegraph.....	1,889 89
Advertising, printing and stationery.....	5,314 43
Furniture and fixtures.....	224 00
Interest on borrowed money.....	378 41
Insurance department fees.....	231 58
Sundry expenses	687 13
Total disbursements	57,425 72
Cash balance December 31, 1917.....	\$2,688 89

These figures show that out of contributions by members amounting to \$35,805.29 and total receipts of \$60,114.61, the members have received in return \$3,000, which was paid on account of death claims, and the remainder used for expenses. The total expenses of management for the entire period were \$54,425.72, or 152 per cent of the contributions by members,

the deficiency being made up by special contributions as shown in the financial statement.

During this period, notwithstanding payments to agents and organizers aggregating \$15,122.71, the membership of the society has decreased from 500, the number necessary for the purpose of organization, to 312, the total in good standing on December 31, 1917.

The membership and insurance in force at the end of each year, as shown by the society's annual statements, were as follows:

<i>Year</i>	<i>Member</i>	<i>Insurance</i>
1914	559	\$753,000
1915	301	418,000
1916	334	443,000
1917	312	400,500

DONATIONS BY DIRECTORS

The donations by directors since the organization of the society amount to over \$9,000. This is, of course, in addition to large sums contributed during the process of organization. The minutes of a meeting of the board of directors held on February 2, 1916, show that at that time the sums advanced were donated to the society, the several directors who made the advances relinquishing all claim thereto. Nothing has been advanced from the directors since the above date.

TEMPERANCE DEVELOPMENT AND AGENCY COMPANY

In November, 1916, the society entered into a contract with the Temperance Development and Agency Company of Pennsylvania, a stock corporation organized under the laws of the State of Pennsylvania for the purpose of acting as agent and writing insurance for the National Temperance Life Insurance Society. The contract provides substantially as follows:

The National Temperance Life Insurance Society, party of the first part, appoints the Temperance Development and Agency Company, party of the second part, as its agent and representative for the purpose of writing insurance in the State of Pennsylvania only.

Commissions ranging from 20 per cent of the first year's

assessments and 5 per cent on renewals for the next five years, on term business, to 60 per cent of the first year's assessments, 7½ per cent for the next nine years, and 5 per cent for five years thereafter, on the whole life business, are to be paid on all business produced by the party of the second part.

The party of the second part agrees to produce not less than \$200,000 of new business the first year, \$400,000 the second year, and an increase of \$200,000 each subsequent year up to the fifth year, in which year and in each subsequent year new business of at least \$1,000,000 is to be produced.

The party of the second part agrees to sell its capital stock to the amount of \$25,000 and to pay over to the party of the first part not less than \$2,500 per month until the full \$25,000 shall have been paid.

The party of the first part agrees to pay to the party of the second part a bonus of \$1,250 at the end of the sixth year and the same amount at the end of each of the next succeeding nineteen years of duration of the contract provided that not less than \$1,000,000 of paid for insurance shall be written by the party of the second part in each of said years.

Prior to the end of 1917, the society had received on account of the sales of stock as specified in the contract, the sum of \$15,000.

It is obvious that the party of the second part has not produced the amount of business required by the contract

OFFICERS

The following are the present officers of the society: President, Samuel P. Eby; secretary, John D. Knapp; treasurer, Francis D. Jolly.

The secretary, who is also the general manager and the only salaried officer, receives \$3,600 per year.

RECOMMENDATIONS

I would respectfully recommend that the directors be directed to immediately make up the deficiency in the mortuary fund and hereafter maintain this fund in accordance with the provisions of the by-laws.

NATIONAL TEMPERANCE LIFE INSURANCE
SOCIETY

NEW YORK CITY

*Supplemental examination.**Report dated July 15, 1918.**Examiner: J. F. Tucker.*

Under date of April 18, 1918, I submitted a report on examination of the National Temperance Life Insurance Society of New York city, showing the condition of said society as of December 31, 1917. The figures submitted showed an excess of liabilities over assets of \$10,463.83, and the report stated that the directors had passed a resolution agreeing to make good the impairment. Being advised that they had done so, I have, in accordance with your directions, made a supplemental examination and find that in June and July, 1918, the directors donated cash to the amount of \$8,850; United States Government First Liberty Loan bonds, 3½'s, 1947, having a par value of \$2,000; United States Government Second Liberty Loan bonds, 4's, 1942, having a par value of \$300; and School District of Dubois Borough, Pa., 4 per cent bonds maturing in 1922, having a par value of \$900. The total of such donations by directors, using the par value of the bonds, is \$12,050. As this amount is sufficient to more than eliminate the impairment shown as of December 31, 1917, no further examination of the society was made at this time.

The bonds above enumerated were in the possession of the secretary at the office of the society on June 11, 1918, and the cash deposited in banks, which was verified by certificates obtained from the banks, as of July 10, 1918, and reconciled with records of the society.

Filed herewith is an affidavit of the secretary of the society in which he swears that the bonds and cash paid in, as stated above, are the bona fide property of the society and are in no way to be considered as loans.

ORDER OF PROSPERITY

BROOKLYN, N. Y.

*Examined to ascertain condition October 9, 1917.**Report dated October 18, 1917.**Examiner: J. F. Tucker.*

This society commenced business in the year 1900. The annual statements of its condition submitted to the Insurance Department show that the largest membership was attained in 1911, at the end of which year there were 1,672 certificates in force. The following table shows that since the latter date the number of members has steadily decreased.

<i>Date</i>	<i>Membership</i>
December 31, 1911	1,672
December 31, 1912	1,537
December 31, 1913	1,458
December 31, 1914	1,362
December 31, 1915	1,303
December 31, 1916	1,075
August 31, 1917	649

Only thirteen lodges having 649 members paid the assessment which was called for the month of July, 1917, and was due and payable on or before the 8th day of August, 1917. The August assessment, due September 8th, although called, has not been paid and no attempt is being made to collect it.

Internal dissensions concerning the readjustment of rates having broken out among the members, a special convention was called for August 31st. After what appears to have been a stormy session, the convention decided to discontinue the society and a resolution to that effect was adopted. The lodges were then directed to call special meetings for the purpose of ratifying the resolution to liquidate, and, as a result, the secretary of the society has in his possession written notices from ten lodges to the effect that the resolution was duly ratified, and he states that one lodge gave him oral notice to the same effect. Two lodges voted against the resolution, one of which, I am informed, has since tendered the assessment due on or before September 8, 1917, which was not accepted by the management.

The financial condition of the order at the close of business on October 9, 1917, was found to have been as follows:

<i>Assets</i>	
Mortgage loan on real estate.....	\$3,500 00
Accrued interest on mortgage.....	68 97
Cash in banks.....	1,358 75
Total assets	\$4,927 72
<i>Liabilities</i>	
Unpaid death claims.....	3,900 00
Balance	\$1,027 72

I am informed that while the contributions to the general and the relief funds were made by the entire membership, the contributions to the general hospital fund were made by a limited number of members only. In any future distribution of funds, this fact should be considered.

The secretary states that it is the intention of the officers to collect the principal of the mortgage loan outstanding and pay the accrued claims as soon as possible, and then turn the corporation over to the Insurance Department for final liquidation and dissolution. It is obvious that the present status of the order is such that no time should be lost in closing up its affairs.

I would, therefore, recommend that an application be made to the Supreme Court for an order directing you, as Superintendent of Insurance, to take possession of this order for the purpose of liquidation and dissolution under the provisions of section 63 of the Insurance Law, upon the ground that, under present conditions, its continuance in business would be hazardous to its members, its creditors and the public.

NOTE: Since this report was submitted, this association has been taken over by the Insurance Department for the purpose of liquidation.

POLISH NATIONAL ALLIANCE OF BROOKLYN, N. Y.

*Examined to ascertain condition June 30, 1917.**Report dated July 18, 1917.**Examiners: C. J. Norton, Charles E. Clapham.*

FINANCIAL STATEMENT

Ledger Assets

Book value of real estate.....	\$12,000 00	
Mortgage loans on real estate.....	71,600 00	
Cash in banks.....	16,534 45	
Cash in office.....	85 30	
Total ledger assets.....		\$100,219 75

Non-Ledger Assets

Interest accrued on mortgage loans.....	\$821 18	
Assessments received in June from subordinate lodges not entered on society's books as income	955 10	
Interest on deposits in banks (estimated)....	300 00	
Total non-ledger assets.....		2,076 28
Total admitted assets.....		\$102,296 03

Liabilities

Death claims due and unpaid.....	\$3,261 00	
Death claims reported and adjusted.....	6,275 00	
Salaries, rents, etc.....	305 40	
Voluntary war relief fund.....	5,178 21	
Special voluntary relief fund.....	412 66	
Assessments paid in advance.....	955 10	
Total liabilities		16,387 37
Excess of assets over liabilities.....		\$85,908 66

The income and disbursements for the year ended June 30, 1917, were as follows:

Ledger assets June 30, 1916.....	\$75,283 45
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Income

Assessments, mortuary	\$40,138 53
Assessments, building fund.....	561 69

Assessments, war relief fund.....	2,612 01
Voluntary contribution—special relief fund..	500 16
Dues and per capita tax.....	2,837 41
Initiation and certificate fees.....	1,856 75
Official publication	4,468 02

Total income from members.....	\$52,974 57
Sale of lodge supplies.....	96 42
Rent	773 75
Fire insurance, damage from fire.....	42 75
Interest, mortgage loans.....	2,695 00
Interest, bank balances.....	640 17
Increase by adjustment in book value of real estate	2,000 00

Total income	59,222 66
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Total	\$134,506 11
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Disbursements

Death claims	\$23,655 25
Commissions and fees paid to deputies and organizers	305 00
Salaries of officers, trustees and committees...	1,576 00
Medical examiners' fees.....	165 70
Traveling expenses of officers and committees..	229 14
Insurance department fees.....	5 00
Rent	230 00
Advertising, printing and stationery.....	143 31
Postage, express, telegraph and telephone....	126 92
Lodge supplies	187 50
Legal expense	10 00
Premiums on officers' bonds.....	22 50
Fraternal congress dues.....	17 50
Actuarial fees	50 00
Furniture and fixtures.....	215 72
Taxes and expenses on real estate.....	2,036 07
Interest on loan from reserve fund.....	250 00
Official publication	4,891 56
Voluntary relief, special fund.....	87 50
Office expenses	81 69

Total disbursements	34,286 36
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Balance ledger assets June 30, 1917.....	\$100,219 75
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Assets

Real Estate:

The society owns a three story and basement brick building situated at 142 Grand street, Brooklyn, N. Y., where it has its

home office. The upper floor is rented as a dwelling at \$17 per month, the second floor is occupied by the society, which charges itself a monthly rental of \$20, and the ground floor and basement are occupied by a Polish newspaper at an annual rental of \$390.

The property was appraised by this Department in 1914 at \$10,000, and until 1917 was carried on the books of the society at that figure. Since the last appraisal, repairs and improvements costing approximately \$1,700 have been made and the book value of the property has now been increased to \$12,000.

The property was purchased from the proceeds of a building fund derived from assessments made upon the membership for that purpose. At the time of purchase a mortgage was given for \$5,000. In accordance with a decision of the convention and a resolution passed by the central government, said mortgage was paid off in 1915 with \$5,000 taken from the reserve fund. By means of a semi-annual book entry, the building fund pays to the reserve fund interest at the rate of five per cent per annum.

Mortgage Loans:

The real estate mortgaged to the society consists of twenty-six parcels, the total amount loaned thereon being \$71,600. Nearly \$50,000 has been invested in such loans since the last examination.

The mortgage papers were examined and found to be in order.

The various parcels of property are now being appraised by a representative appointed by this Department and a separate report will be submitted by him.

Bank Deposits:

The greater portion of the society's cash assets is deposited in savings banks. Such deposits were verified by the bank pass books. The checking account was verified by certificate obtained from the bank and duly reconciled with the records of the society. The society had deposited in bank to its credit remittances from subordinate lodges for advance assessment which were not entered on their records as income until the following month. We have allowed credit for this amount as a non-ledger asset also charging the same as a liability for assessments paid in advance.

*Liabilities**Death Claims:*

There are eleven death claims due and unpaid. We were informed that the beneficiaries in nine of the cases are minors, and in the other two cases the beneficiaries are somewhere in Europe, and on account of the war settlement is impossible at present. Your examiners recommend that the claims due minors be charged out as disbursements and that the amounts be deposited in a savings bank at interest until the beneficiaries become of age or guardians are appointed. In order to comply with this recommendation it will be necessary to amend the by-laws of the society which provide that in cases where the beneficiaries are minors the benefits shall remain in the bank on deposit with the alliance and shall be paid over to said beneficiaries when they become of age, or to their legally appointed guardians, with interest not to exceed $3\frac{1}{2}$ per cent.

FUNDS

The funds of the society are as follows:

Death benefit fund, composed of assessments for the purpose of paying death benefits.

Expense fund, composed of monthly dues, initiation, fees, etc., and used for the payment of general expenses.

Reserve fund, consisting of savings from the amounts collected for mortuary purposes and from special dues. This fund and its accretions are not to be used for any purpose except in the event of excessive death losses.

A publication, a building and a war relief fund are also carried upon the books of the society.

Recapitulation of Fund Balances June 30, 1917

Mortuary	\$71,666 70
Expense	2,834 15
Reserve	7,683 42
Building	12,451 70
War relief	5,590 87
	\$100,226 84
Publication (debit balance).....	7 09
Total to agree with ledger assets.....	\$100,219 75

ORGANIZATION AND MEMBERSHIP

This society commenced business as a fraternal beneficiary organization under a final certificate of authority from the Superintendent of Insurance, dated April 20, 1905.

The main object of the society is the payment of death benefits to the beneficiaries of deceased members.

Both sexes are admitted to membership. The only limitations appear to be that they shall be in sound bodily health and "not opposed to the constitution of the alliance or the Polish spirit."

The society is authorized to transact business in the States of New York and New Jersey.

There are at present eighty subordinate branches, called groups, with an approximate membership of 7,357, and insurance in force amounting to \$2,743,400.

RATES

On February 23, 1914, the society adopted a new table of rates applying only to new members admitted after June 1, 1914.

The rates now in force are approximately the same as the National Fraternal Congress rates with 4 per cent interest.

The assessments are payable monthly in advance, without notice.

The initiation fee for applicants between the ages of 18 and 40 years is \$1.50 and for those between 40 and 50 years, \$2 each.

Other assessments and dues are levied monthly as follows:

Expense fund, male members four cents and female members two cents each.

Publication fund, male members and single women eight cents each. Married women are not assessed for this fund.

Building fund, one cent each, male members and single women only.

War relief fund, one cent each, all members.

BENEFITS

The maximum certificate issued by the society to its members is as follows:

18 to 35 years of age.....	\$900
35 to 40 years of age.....	600
40 to 45 years of age.....	400
45 to 50 years of age.....	200

Certificates may be issued for not less than \$100 or multiples thereof. Death within six months of admission limits the benefit to 25 per cent, within nine months to 50 per cent, and within one year to 75 per cent of the face of the certificate.

Permanent total disability entitles the member to receive one-half the face of his certificate upon proof satisfactory to the society. The member may then lapse his certificate or may continue to pay the full assessment thereon, in which case the remaining half will be paid to his beneficiary upon his death.

OFFICIAL PUBLICATION

The alliance owns forty-seven shares of stock in a Polish newspaper corporation, the par value being \$10 per share.

This stock is not carried as an asset, and therefore does not appear in the foregoing financial statement. We are informed that the balance of the stock of this company is owned by the subordinate groups.

The by-laws provide that this paper shall be the official organ of the alliance, but that the alliance shall not be responsible for the expense thereof. Eight cents per month is the subscription price of the publication and said amount is paid over to the publishing company. Hence, there is neither gain nor loss to the alliance on this account.

OFFICERS

The following are the present officers of the alliance: President, W. Olownia, \$200 per annum; vice-president, Ant. Rusyn, \$100 per annum; general secretary, Vincent G. Nowak, \$936 per annum, and commission of 10 cents for each new applicant accepted; treasurer, St. F. Flis, \$130 per annum.

The president, secretary and three trustees are bonded for \$1,000 each and the treasurer for \$4,000.

The records of the society are kept in the Polish language.

SUPREME COUNCIL OF THE ROYAL ARCANUM

BOSTON, MASS.

Examined to ascertain condition September 30, 1917, by the Insurance Departments of Massachusetts, Connecticut and New York.

Report dated January 17, 1918.

Examiners: George W. Smith, Massachusetts; H. Pierson Hammond, Connecticut; John E. Diefendorf, New York.

FOREWORD BY COMMISSIONERS

The report of the examination of the supreme council of the Royal Arcanum of Boston, Mass., made under the direction of the Insurance Commissioner of Massachusetts, the Insurance Commissioner of Connecticut and the Superintendent of Insurance of New York by Mr. George W. Smith, actuary of the Massachusetts Insurance Department, Mr. H. Pierson Hammond, actuary of the Connecticut Insurance Department, and Mr. John E. Diefendorf, chief examiner of fraternal societies of the New York Insurance Department, and twelve assistants, which report is attached hereto, having been fully considered, is hereby adopted by the Insurance Department of the Commonwealth of Massachusetts, the Insurance Department of the State of Connecticut and the Insurance Department of the State of New York, and made their report.

In adopting this report it seems to us fitting that brief comment be made upon the rate situation, which may be taken as typical of the position in which some other large fraternal societies have found themselves and hence not peculiar to the Royal Arcanum. It results from the inadequate rates which have been charged for what the members assume to be whole life insurance. The necessity for re-rating, for which the laws of many of the States provide, naturally followed. Re-rating, or calling for increased contributions, is one of the distinct privileges of fraternal societies which distinguish them from old-line life insurance companies. The latter must abide by the premiums fixed by the policy, but the fraternal, as a general rule, may call upon its members to make extra contributions if the funds in hand are not sufficient to meet the obligations.

This distinction too often appears to make no impression upon the members. They too often seem to think that the society is something apart from themselves, and that it makes an insurance contract which it must fulfill without any obligation on their part to pay more for that contract than the original charge, although that contribution, after a few years, may be wholly inadequate. They lose sight of the fact that upon joining a society they become in effect insurers of others as well as become insured by others. The lesson that the experience of fraternal has been teaching for many years has not been fully learned, namely, that if each member pays only the current cost of his insurance when he is young he will have to pay a greater current cost when older and a much greater current cost when very old. This, however, is the clear teaching of fraternal experience and the logic of mortality tables. Funds must be provided to pay the claims if the insurance is to continue, and the only source of those funds is the contributions of members with interest thereon.

It is a recognition of these facts that has caused fraternal leaders and managers to attempt of late years to devise and adopt means for obviating the necessity of changing rates at frequent intervals. They see that for whole life insurance adequate level rates are necessary in fraternal as well as in old-line companies, since increasing rates, while favorable in the younger ages, become a source of dissatisfaction, if they do not become prohibitive, in the older ages.

But these re-ratings of old societies are always attended by friction. Persons ignorant of insurance principles are found in the membership. They sometimes make trouble. They inflict damage. They ignore the fact that it is no trifling thing to interfere with the operation of a society like the Arcanum, with 175,000 members who are carrying over \$300,000,000 of insurance by mutual agreement with each other, and are trying to devise means to render certain the payment of these obligations as they mature, no matter how far in the future.

The Massachusetts statute was well designed to protect the membership having insurance rights in such a society from attacks which might be made by dissatisfied members such as can be found in any body of considerable size. Many other

States have a similar statute enacted for the same purpose. These statutes control the situation as far as the courts of those States are concerned. This examination has not disclosed any justification for proceedings for the dissolution of the society under the statute of Massachusetts or under similar statutes of any other State, and in the opinion of the officials making this examination there are no justifiable grounds for them to apply for the appointment of a receiver by any court.

Witness our hands on the day and year above given and to two other copies hereof of the same tenor and date, all of which are hereby declared to be originals.

FRANK H. HARDISON,
Insurance Commissioner of Massachusetts.

BURTON MANSFIELD,
Insurance Commissioner of Connecticut.

JESSE S. PHILLIPS,
Superintendent of Insurance of New York.

BOSTON, Jan. 31, 1918.

PART I—FINANCIAL

The following is the balance sheet based upon the results of this examination, setting forth the income and disbursements for the first nine months of 1917 and the assets and liabilities as of September 30, 1917:

Balance Sheet September 30, 1917

Income

	<i>Widows' and Orphans' Benefit Fund</i>	<i>Emergency Fund</i>	<i>General Fund</i>	<i>Totals</i>
Mortuary assessments.....	\$5,792,800 61			\$5,792,800 61
Supreme Council dues.....			\$198,185 00	198,185 00
Certificate fees and cards.....			1,966 50	1,966 50
Interest paid in cash on half cash liens.....	444 84			444 84
Total received from members	\$5,793,245 45		\$200,151 50	\$5,993,396 95
Interest on bonds.....		\$84,917 46	700 00	85,617 46
Interest on bank balances.....	13,398 68	947 10	906 96	15,252 74
Sale of lodge supplies.....			892 23	892 23
Sale of official publication.....			755 35	755 35
Sale of old paper and metal.....			727 27	727 27
Recovery for damage to boiler..			797 50	797 50

	<i>Widows' and Orphans' Benefit Fund</i>	<i>Emergency Fund</i>	<i>General Fund</i>	<i>Totals</i>
Advertising in official publication.			80 07	80.07
Gross increase in half cash liens, and interest thereon.	268,280 32			268,280 32
Total income.	\$6,074,924 45	\$35,864 56	\$205,010 93	\$6,365,799 94
Ledger assets December 31, 1916	3,954,504 68	3,072,772 90	121,424 48	7,148,702 06
Total.	<u>\$10,029,429 13</u>	<u>\$3,158,637 46</u>	<u>\$326,435 41</u>	<u>\$13,514,502 00</u>

Disbursements

Death claims (including \$230- 573.21 half cash liens and in- terest thereon)	\$5,389,030 88			\$5,389,030 88
Salaries of deputies and organ- izers			\$12,416 13	12,416 13
Salaries of officers and trustees ..			26,125 02	26,125 02
Other compensation of officers and trustees			2,831 03	2,831 03
Salaries of office employees			51,044 78	51,044 78
Salary of supreme medical ex- aminer			3,375 00	3,375 00
Traveling and other expenses of officers, trustees and commit- tees			2,137 37	2,137 37
Insurance department fees			943 50	943 50
Advertising and publicity			3,222 49	3,222 49
Postage, express, telephone and telegraph			2,989 15	2,989 15
Lodge supplies			213 90	213 90
Official publication			12,817 50	12,817 50
Expenses of supreme council session			21,371 42	21,371 42
Legal expense in litigating claims			4,832 17	4,832 17
Furniture and fixtures			63 14	63 14
Taxes, repairs and other ex- penses on real estate			4,357 66	4,357 66
Bonds of supreme council officers			545 80	545 80
Fraternal congress			375 48	375 48
Actuarial expense			3,099 49	3,099 49
Investigation of death claims ..			872 70	872 70
Expense of printing plant			7,370 63	7,370 63
Benefit certificates			720 00	720 00
Prizes for membership contests ..			685 00	685 00
Sundries			4,541 41	4,541 41
Loss on maturity of bonds		185 50		185 50
Liens on lapsed certificates	440,165 94			440,165 94
Liens on surrendered certificates	23,306 77			23,306 77
1916 half cash liens adjusted on account of 1917 advices	1,584,187 14			1,584,187 14
Total disbursements.	\$7,436,690 73	\$185 50	\$166,950 77	\$7,603,827 00
Balance	2,592,738 40	3,158,451 96	159,484 64	5,910,675 00
Transfers	—350,000 00	350,000 00		
Balance	<u>\$2,242,738 40</u>	<u>\$3,508,451 96</u>	<u>\$159,484 64</u>	<u>\$5,910,675 00</u>

Ledger Assets

	<i>Widows' and Orphans' Benefit Fund</i>	<i>Emergency Fund</i>	<i>General Fund</i>	<i>Totals</i>
Book value of real estate.....			\$71,866 55	\$71,866 55
Book value of bonds.....		\$3,367,099 89	21,450 00	3,388,549 89
Cash in banks on interest.....	\$901,956 75	141,352 07	52,244 15	1,095,552 97
Cash in hands of supreme treasurer or in transit.....	10,304 65		423 94	10,728 59
Cash on deposit with provincial treasurer, Quebec.....			5,000 00	5,000 00
Contingent fund in hands of supreme secretary.....			4,000 00	4,000 00
Contingent fund in hands of supreme treasurer.....			3,000 00	3,000 00
Contingent fund in hands of supreme regent.....			1,500 00	1,500 00
Liens on certificates in force.....	1,307,582 46			1,307,582 46
Liens on certificates terminated by death.....	22,894 54			22,894 54
Total ledger assets.....	\$2,242,738 40	\$3,508,451 96	\$159,484 64	\$5,910,675 00

Non-Ledger Assets

Interest due and accrued on bonds.....		\$44,785 78	\$175 00	\$44,960 78
Interest accrued on bank balances.....	\$1,509 03	50 24	71 90	1,631 17
Assessments in course of collection.....	596,997 21			596,997 21
Supreme council dues in course of collection.....			210 00	210 00
Gross assets.....	\$2,841,244 64	\$3,553,287 98	\$159,941 54	\$6,554,474 16

Assets Not Admitted

Book value of real estate over appraised value.....			\$20,471 55	\$20,471 55
Book value of bonds over market value.....		\$433,324 89	2,650 00	435,974 89
Protested checks included in bank balances.....	\$961 16			961 16
Liens on certificates in force...	1,307,582 46			1,307,582 46
Total assets not admitted..	\$1,308,543 62	\$433,324 89	\$23,121 55	\$1,764,990 06
Admitted assets.....	1,532,701 02	3,119,963 09	136,819 99	4,789,484 10

Liabilities

Death claims:				
Due and unpaid.....	\$49,695 49			\$49,695 49
Proofs received, not due.....	159,284 10			159,284 10
Reported, no proofs received..	529,460 85			529,460 85
Resisted.....	5,000 00			5,000 00
Total claims.....	\$743,440 44			\$743,440 44
Unpaid bills and accounts.....			\$7,721 72	7,721 72
Total liabilities.....	\$743,440 44		\$7,721 72	\$751,162 16
Balance.....	\$789,260 58	\$3,119,963 09	\$129,098 27	\$4,038,321 94

FUNDS

The society maintains three separate funds in conformity with its constitution and laws, viz.: (1) the widows' and orphans' benefit fund, to which the mortuary assessments are credited and from which all benefits are paid; (2) the emergency fund, which constitutes a reserve fund to be used only in replenishing the widows' and orphans' fund when necessary—the income of which consists only of transfers from the latter fund and interest on this fund; (3) the general or expense fund, to which the supreme council dues are credited and from which all general maintenance expense is met.

ORGANIZATION

This society was incorporated under the general laws of Massachusetts in the year 1877 and comprises 1,712 subordinate councils, 32 grand councils and the supreme council, the latter being the governing body. The supreme council is composed of its officers, representatives from grand councils elected in proportion to membership, as provided by the constitution and laws of the order, and all past supreme regents. The headquarters of the society, which is under the immediate supervision of the supreme secretary, are located at 407–409 Shawmut avenue, Boston, Mass. The office of the present supreme regent is located in Chicago, Ill., and that of the supreme treasurer in St. Louis, Mo.

SCOPE OF EXAMINATION

All assets as of September 30, 1917, were examined and checked and the liabilities were determined as of the same date. A verification was also made of the income and disbursements of the society as shown by its records from January 1 to September 30, 1917, by checking the various items of income with the society's ledgers as to their correctness and checking all disbursements made from both the widows' and orphans' benefit fund and the general or expense fund completely with vouchers submitted. In addition, a substantial verification was made of the items which appeared in the annual statement submitted by the society as of December 31, 1916. All such items were found to be in agreement with the society's records, with the exceptions

that (1) the amount of loans secured by benefit certificates in force at the end of 1916, namely, liens on half cash payment certificates, reported among the assets, were overestimated, and (2) the outstanding losses reported among the liabilities were somewhat understated. Both of these differences were due to the fact that the returns of subordinate councils were incomplete when the statement for 1916 was compiled. It should be noted in this connection that advices were furnished from time to time to the Massachusetts Insurance Department correcting the amount of loans outstanding and referred to above.

The local councils remit all collections direct to the supreme treasurer, who in turn reports to the supreme secretary each day the amounts paid by each council and upon which assessments the payments apply. The daily reports of the treasurer are recapitulated, showing the total amounts applying to each of the several assessments remitted on that day. The treasurer's reports are bound in the office of the secretary and serve the purpose of a journal. The totals of each assessment each day are posted from the treasurer's reports to the ledger. During the examination such postings were checked in detail for the entire year 1916 and for the nine months ending September 30, 1917. All totals for the latter period were verified and found correct. Test checks were made of the treasurer's reports in order to verify the accuracy of the subdivisions by assessments.

The local councils send to the supreme secretary reports of their remittances to the supreme treasurer. These reports show the amount of the last monthly remittance, the initiations and reinstatements and the deaths and lapses during the current month. They are usually checked in the secretary's office with the report of the treasurer, and any differences taken up with the subordinate council officers by correspondence; but owing to the extra work involved in the readjustment of rates the office force is behind in this work. The general accuracy of the work was tested by checking the remittances of about fifty councils for a period of six months from the treasurer's reports to the council ledger accounts. The treasurer's reports were tested and found accurate by checking them with remittance advices from about fifty councils for a period of six months.

SYSTEM OF ACCOUNTING

The system of accounting in use has grown up with the society's business. It is not scientific and could be greatly improved by adopting a double-entry system whereby the total business of the society could be concentrated into a single general ledger and a regular trial balance drawn off at the close of each month. If such a system were adopted it would immediately show its advantage over the one now in use, not only in clarifying the records as to the financial situation, but also in the matter of labor saving.

ASSETS

Real Estate:

The only real estate owned by the order is its home office property at 407-409 Shawmut avenue, Boston. It consists of one five-story and basement brick and stone building erected by the order in 1893 at a total cost of \$59,170.97 and the adjoining four-story and basement brick building purchased and remodeled in 1914 at a total cost of \$26,866, which figure includes the cost of a two-story brick building erected in the rear by the order for housing its printing plant. The book value of this property on September 30, 1917, was carried on the books of the society as \$71,866.55. This forms part of the investment of the general fund. The entire property was appraised for the purpose of this examination by a competent real estate broker in Boston, and his valuation of \$51,395 is the net credit allowed for this item in the financial statement appearing in this report.

Bonds:

The bonds owned by the society were carefully examined. They consist of municipal and railroad securities, the book value of which amounted to \$3,388,549.89 on the date of this examination. In valuing these securities we have endeavored to make due allowance for the peculiar financial conditions existing on September 30, 1917, and which had existed for a considerable period prior thereto, and which still exist. We find the total market value thereof to be \$2,952,575, and the excess in book value over this amount has been deducted as an asset not admitted.

Bonds amounting to \$39,500 (par value) matured during temporary receivership proceedings, but were not redeemed at maturity, as the securities were not accessible to the society's officers for reinvestment, thereby involving an appreciable loss in interest.

The order carries its bonds in the accounting records on the basis of the actual cost. It has not been the practice to adjust these book values until a security is sold, at which time the book value is either increased through the accrual of discount from the date of purchase or decreased by the amortization of premium for the same period. Such a method does not constitute amortization within the accepted meaning of the term. It is advisable for the society to amortize its holdings annually in the future, carrying all necessary figures through its ledger accounts, in order to be able to report on this basis whenever it may be required so to do.

No credit is given for the interest past due or accrued on the bonds of the Boston & Maine Railroad, as such bonds are in default. Bonds of the city of Boston, Mass., $3\frac{1}{2}$ per cent, 1928, par value \$5,000, are deposited with the Insurance Department of North Carolina, as shown by the certificate issued by the Commissioner of Insurance of said State. It is our understanding that this is not a special deposit.

Cash in Banks:

The cash deposited in banks was verified by certificates issued by the several depositaries, and the balances reconciled with the society's records. These deposits earn interest varying from 2 to 3 per cent.

The cash deposited with the treasurer of the Province of Quebec, Canada, viz., \$5,000, is a special deposit made in the interest of certificate holders citizens thereof. This deposit was also duly verified by a certificate from the Insurance Department of said Province. The deposit is allowed in full in this report, by reason of the fact that the total liability for death claims in the said Province is greater than the deposit.

Contingent Funds:

The cash in the hands of the supreme secretary, supreme treasurer and supreme regent is held by them under the pro-

visions of the Constitution and Laws of the society to meet contingent expenses.

Half-Cash Assessments:

Following the practice of the society, half-cash assessments on benefit certificates in force Sept. 30, 1917, increased by interest to said date, have been reported among the ledger assets, although such loans are not carried in the ledgers as they should be. The amount of the half-cash liens has been deducted in Assets Not Admitted.

Interest Due on Bonds:

The interest due on bonds amounts to \$9,075.25. Owing to the fact that an order of the court discharging the receiver, appointed in April of last year, had not been executed on September 30 last, such interest was not collected when due.

Printing Plant:

The order publishes and distributes monthly to all its members a "Bulletin" containing a statement showing the financial condition at the close of the preceding month, claims paid, a statement of the number of members, etc., in each State, and the general condition of the order and other items of interest to members in connection with its work. For the publication of this paper and the supplying of all printed matter used in the conduct of its business the society has for many years maintained and operated a printing plant of its own. The plant, including printing and lodge supplies on hand, valued by the order at approximately \$10,000, being inadmissible as assets, has not been carried into the financial statement presented herewith.

LIABILITIES

Death Claims Unpaid:

A thorough investigation was made into the matter of outstanding death losses. It was found that every notice of death is immediately entered on the records and liability therefor carried in full until the claim is either paid or lack of liability duly established. In the statement of liabilities of this report every claim incurred on or before Sept. 30, 1917, is included, except

in cases where it was apparent that the society is not liable, unless such claims were in litigation, in which event full liability is charged.

Settlement of Death Claims:

Checks in payment of death claims bear the signatures of the supreme secretary, the supreme treasurer and the examiner of claims. The checks are drawn in the office of the supreme secretary and are mailed to the supreme treasurer, who stamps thereon the name of the bank at which payment is to be made. Checks bear the number corresponding to the death number entered in the official register of death claims approved, regardless of which bank is to make payment; in fact, the supreme secretary's office is not advised of the name of the bank which is to make payment.

All death claims paid during the nine months ending Sept. 30, 1917, were verified by means of the canceled checks on file. Claim papers in several hundred cases were examined and found in order. Just claims are paid promptly. Doubtful claims are subjected to necessary scrutiny and investigation. Fraudulent claims are contested, yet the management is not inclined toward litigation.

Cost of Management:

During 1916 the expenses of management of the society were 2.98 per cent. of the total income—a ratio which is considerably less than the average ratio of fraternal benefit societies, as shown in the statistical tables in the 1917 Connecticut Insurance Department report.

Revenue to General Fund:

Notwithstanding the low cost of management, the society's General Fund is being depleted. There is collected from each member \$1.20 per year, which, together with other items of income credited to the Expense Fund, produced the sum of \$256,217.24 in the year 1916. We find, however, that the cost of management during the same year amounted to \$263,688.82. It is obvious, therefore, that steps must be taken soon to provide funds sufficient to meet the maintenance expenses of the society, which are bound to increase in common with the cost of operating all classes of business.

Assessments, Claims and Funds:

The total membership at the end of the years 1906 to 1916 and on Sept. 30, 1917, and the relation between the death claims incurred and the benefit assessments collected for this period, are presented in Exhibit 1. For the years 1906 to 1909, inclusive, immediately after the 1905 revision of rates, it will be noted that assessments exceeded the death claims incurred. During the years 1910 to 1916, inclusive, the incurred claims were much in excess of the assessments collected. For the nine months of 1917, on the basis of new rates, assessments were again in excess of claims incurred.

EXHIBIT 1

Year	Member- ship	Benefit assessments collected	Death claims incurred	Difference between assessments and claims
				<i>Excess of assessments</i>
1906.....	240,894	\$8,934,202 05	\$7,657,643 00	\$1,276,559 05
1907.....	240,430	8,596,351 93	7,871,461 00	724,890 93
1908.....	240,251	8,390,331 93	7,616,772 70	773,559 23
1909.....	242,928	8,202,265 43	7,660,339 24	541,926 19
				<i>Excess of claims</i>
1910.....	245,458	8,084,466 70	8,334,667 41	250,200 71
1911.....	248,888	7,964,996 54	8,059,718 63	94,722 09
1912.....	250,314	7,867,000 16	8,170,559 59	303,559 43
1913.....	248,575	7,751,195 31	8,627,045 00	875,849 69
1914.....	245,986	7,625,785 97	8,772,012 57	1,146,226 60
1915.....	243,095	7,507,728 71	9,232,164 34	1,724,435 63
1916.....	177,235	7,163,839 84	9,376,276 67	2,212,436 83
				<i>Excess of assessments</i>
1917 (9 months).....	*152,989	5,792,800 61	5,233,583 45	559,217 16

The amount of the Emergency Fund and the Widows' and Orphans' Benefit Fund, and the claims unpaid at the end of each year from 1906 to 1916, and on Sept. 30, 1917, together with the transfers to or from the Emergency Fund during each year, appear in Exhibit 2. The funds appearing in this table are as shown in the reports of the order to the different insurance departments.

* Estimated.

EXHIBIT 2

Year	<i>Transfers to or from Emergency Fund</i>	<i>Emergency Fund</i>	<i>Widow's and Orphan's Benefit Fund</i>	<i>Claims unpaid</i>	
	To				
1906.....	\$1,000,000 00	\$2,878,457 16	\$1,112,714 54	385 for	\$930,185
1907.....	1,050,000 00	4,000,100 98	756,574 84	345 for	\$834,597
1908.....	850,000 00	4,994,810 98	639,883 82	314 for	\$723,359
1909.....	575,000 00	5,803,555 12	667,507 57	333 for	\$735,081
1910.....	50,000 00	6,087,113 79	602,485 71	417 for	\$942,232
	From				
1911.....	250,000 00	6,072,660 18	612,997 89	319 for	\$723,273
1912.....	250,000 00	6,042,201 32	595,833 06	313 for	\$712,960
1913.....	250,000 00	6,022,397 23	*512,059 56	344 for	\$809,820
1914.....	629,653 37	5,617,795 46	*488,098 40	344 for	\$792,296
1915.....	883,208 47	4,907,531 06	*469,857 74	449 for	\$1,002,172
1916.....	1,838,725 81	3,072,772 90	*881,482 21	418 for	\$898,888
	To				
1917 (9 mos.)	350,000 00	3,508,451 96	*935,155 94	411 for	\$743,440

PART II—DISTURBANCES FOLLOWING THE RECENT RE-RATING

At the 1916 session of the supreme council, which is the law-making body of this society, at least two-thirds of whose members are the representatives of the members of the society, by-laws were adopted by a large majority which in effect re-rated the members. The purpose of this re-rating was to secure more ample funds to meet future obligations as they accrue and to distribute the cost of insurance more equitably among the members. There seems to be no doubt as to the legality of this action, but it created considerable disturbance among the members. Complaints and charges of more or less definiteness were made which may be summarized under the general heads of financial mismanagement, misapplication of funds, discrimination against the old members, decrease of reserves, violation of law and the making of wrong statements to insurance departments.

The examiners undertook to look into these complaints and charges, since, if well founded, they would have an important bearing in forming conclusions as to whether the conduct of the society had been such as to be worthy of the confidence of the

* Excluding half-cash liens.

members and whether it had been efficiently and honestly managed. In the treatment of the matter, however, they deemed it unnecessary to go into minute details as to the charges and their findings thereon.

The charge is made that the reserve funds of the society have been dissipated by selling bonds of the Commonwealth of Massachusetts at a loss. The facts in this matter are as follows: In 1901 the Arcanum purchased \$1,000,000 par value of Massachusetts 3 per cent bonds, due in 1941, paying therefor the then market value of \$1,018,750. Subsequent issues of Massachusetts bonds were made tax exempt, which caused the market value of the Commonwealth's taxable bonds to drop several points. When it became necessary in 1916 to dispose of some of the society's holdings to pay death claims, the officers chose to sell these low interest-bearing bonds. They were sold at the market value, which was \$146,000 less than they cost.

The wisdom of the officers seems to have been challenged, to use no harsher term, in using so-called trust funds of the society to the extent of \$1,500,000 in 1915 to pay death claims. The fact is that these funds were collected for the purpose of paying death claims when the current assessments were insufficient. There was no illegality in so applying them. In fact, it was the only proper course to take pending a re-rating.

Misapprehension of the system of insurance accounting adopted by insurance departments seems to have been the cause of another charge to the effect that approximately \$500,000, the amount disallowed by the Insurance Commissioner in the company's annual statement for 1915, had not been restored. An item of this nature, as every insurance accountant knows, can be found in the department reports of nearly every insurance company. It represents the difference between the book value of a company's securities and the value allowed in the annual statement. It is the item in a balance sheet system of accounting which takes care of market fluctuations. Market conditions govern it and improvement in those conditions alone can restore a loss.

Depletion of trust funds in violation of law and of the society's charter has been alleged in somewhat definite terms, which allegations in effect charge that the officers are illegally employing paid organizers and giving prizes for procuring new members, and

have improperly expended money for expenses of conventions and delegates. Our finding in respect to this charge is that such disbursements are paid from funds legally and specifically collected for the expenses of the order and not from funds collected for mortuary purposes, which are used exclusively for the payment of death claims. One of the purposes for which the expense fund is created is for paying organizers, and another important purpose is for defraying the expenses of necessary conventions for transacting the business of the society. As pointed out elsewhere, the expense ratio of the society is very moderate.

The alleged discrimination against the older members by the new rates adopted by the society seems not to be well founded when the cost of their insurance is taken into account, as shown in the experience of the society. This matter, however, is discussed quite fully in Part III of this report, which deals with mortality questions relating to the order.

Examinations made by insurance departments and the audits of the annual statements made to the departments engaged in this examination disclose no ground for any contention that the society has failed to make proper returns to the insurance departments. No attempt at deception has been discovered in the reports to these States, and any substantial misstatement would hardly have been passed over unnoticed.

PART III — ACTUARIAL

This part of the report covers the results of the actuarial calculations made during the examination as distinguished from the purely financial transactions. The following statements, deductions and exhibits have been prepared so as to present impartially and accurately the conditions and causes leading up to the change of assessment basis adopted in 1916, and to set forth the actuarial status of the Royal Arcanum on Sept. 30, 1917.

NEW MORTALITY STATISTICS

Realizing the urgent need of ascertaining its condition as to mortality, the Royal Arcanum during the year 1915 compiled a mortality table based on its own experience for the years 1905 to 1914, inclusive. This covered a period when the lapses due

to the 1905 readjustment and the deaths due to advancing age of the members were greater than those listed in the 1905 mortality table of the order. In making this table the members on all plans of insurance were treated as an entirety, no distinction being made between the Term or Regular Rate certificate holders, representing four hundred million dollars of term insurance—a class which the records of the society show to be subject to a very high death rate—and members on other plans or options hereinafter described, subject to a lower mortality rate and representing a smaller amount of insurance.

This table was given most careful thought and consideration at the May, 1916, session of the supreme council, but no action was taken as to its adoption as a basis for rates since it was thought advisable to secure further analysis from recognized actuarial advisers aside from those regularly retained by the order.

Accordingly, an exhaustive study was made of the mortality statistics by two prominent actuaries, and at the September meeting of the Supreme Council action was taken upon the combined reports of the investigators. A new mortality table, called the "Higher" table, compiled and based exclusively upon the experience of the large Regular Rate or Term class, was adopted as the basis for new rates and values for the classes designated Regular Rate, Option B and Option C. A new graduation of the complete experience already referred to, called the Royal Arcanum 1915 table, was adopted for rates, values and withdrawal equities for the plan of insurance known as Option or Table A and for the valuation of Option D.

In the course of this examination the methods by which the mortality tables were compiled and the statistics entering this vast tabulation were carefully scrutinized and checked. Errors were found both as to technical method and as to fact which would change to some extent the death rate under individual ages, but the result as affecting the entire experience would seem to be negligible. Complete information, technical in character, regarding the formula used in the construction of these tables and the non-homogeneous character of the statistics to which it was applied, is filed with the data relating to the examination and has not been made a part of this report.

The expected death rate in the new Royal Arcanum "Higher" table is greater than that of the Royal Arcanum 1905 table at all ages, higher than the National Fraternal Congress table at ages above 36 and greater than the American Experience table at ages 55 to 87, inclusive. The Royal Arcanum 1915 table provides for an expected death rate lower than that found in the Royal Arcanum "Higher" table, but still in excess of that of the National Fraternal Congress table for ages 48 to 85, inclusive, and greater than that shown in the American Experience table for ages 55 to 84, inclusive. The following comparative exhibit shows the expected deaths at each quinquennial age on the basis of the Royal Arcanum "Higher" table, the Royal Arcanum 1915 table, the Royal Arcanum 1905 table, the National Fraternal Congress table and the American Experience table:

EXPECTED DEATH RATE PER 1,000

Age	Royal Arcanum "Higher" (new) table	Royal Arcanum 1915 (new) table	Royal Arcanum 1905 table	National Fraternal Congress table	American Experience table
20.....	4.60	4.60	4.00	5.00	7.81
25.....	4.83	4.73	4.31	5.20	8.07
30.....	5.30	4.85	4.78	5.55	8.43
35.....	6.09	5.23	5.54	6.15	8.95
40.....	7.39	6.45	6.75	7.17	9.79
45.....	9.53	8.46	8.69	8.87	11.16
50.....	13.02	12.38	11.81	11.44	13.78
55.....	18.75	18.68	16.78	15.71	18.57
60.....	30.60	28.86	24.71	22.75	26.69
65.....	48.97	45.94	37.31	34.39	40.13
70.....	77.21	69.88	57.18	53.65	61.99
75.....	120.00	106.47	88.22	85.48	94.37
80.....	183.42	161.55	135.92	138.09	144.47
85.....	274.19	230.25	207.31	225.08	235.55
90.....	397.15	335.61	309.76	368.79	454.55
95.....	550.00	546.04	447.24	602.74	1,000.00

RATE REVISION OF 1916

The benefit certificates provided for by the order in 1916 represented five plans of insurance. Three additional classes, called options, were also accepted for members at high ages, to whom the full rates would be a burden, and these are subject

to decreased rate and benefit. For convenience, a brief description of each class is given herewith.

Regular Rate, constant term rate to age 65 and an increased level life rate thereafter.

Option A, constant life rate.

Option B, annual step-rate to age 65 and constant life rate thereafter depending on entry age.

Option C, constant life rate with annual reduction in face of certificate of $3\frac{1}{3}$ per cent. from age 61 to age 75, both inclusive, finally decreasing the benefit to one-half.

Option D, constant rate to age 65 with reduction of one-half of same thereafter.

Option II, continuation of old rates of assessments for Regular Rate and Option A members, insurance being reduced proportionately.

In addition to the above, members who have attained age 65 in October, 1914, and who are assessed the Regular Rate, may under the *Half-Rate Option* pay one-half of the new assessed rate, the balance, with interest at 4 per cent per annum, being carried as a lien.

Those members who have availed themselves of the Half-Rate Option may under *Half-Cash Option II* procure a benefit certificate for a reduced amount free of indebtedness.

The rates charged under the revision of 1916 are not as high in some instances as those recommended by the consultants. This is particularly true of the rates for members over age 70 on the Regular Rate plan who under the new rating will pay a level assessment for life of \$10.64 monthly, this being the rate for age 70.

Strong recommendation was made that the concession in age and rate be granted only to members upwards of 75 years of age, so that the members from 70 to 75, inclusive, instead of paying the rate of 70, would pay a whole life rate for their attained age, but members of 75 and upwards would pay a monthly rate of \$14.97. It was shown that if the rate at age 70 was taken as the maximum, the reserve as of December 31, 1916, necessary to grant this concession, would be \$3,000,000, while if 75 were taken as the highest age, a reserve of only \$1,500,000 would be necessary. As of September 30, 1917, we

find a concession reserve required for members over age 70 amounting to \$1,436,473, while \$882,746 would be the reserve if age 75 had been taken as the maximum age. The decrease over 1916 is due to the reduction in membership. To the recommendation of the consulting actuaries, the committee replied: "We believe that a rate of \$14.97 at age 75, even though actuarially and scientifically correct, is prohibitive in practice and not to be considered; that the rate fixed for age 70 should be the rate for all above 70, if it can possibly be done with safety to our order." The rate of age 70 was adopted as the highest age of assessment. In this rate provision, therefore, members at attained ages above 70 are paying a deficient premium.

In the following exhibit the new monthly rates at quinquennial ages for Table A and Regular Rate members are listed, together with the monthly rate for these plans of insurance according to other mortality tables. It will be noted that the new rates for Table A exceed those based on the National Fraternal Congress table in increasing proportion as the age advances, and that they are greater than the net premiums on the American Experience table at ages 40 and over. The new Regular Rate Assessments are higher than those charged under the 1905 table at all ages.

EXHIBIT 3 — *Comparison of Monthly Assessments.*

Age	Whole Life. Table A				Term to 65 Level Thereafter. Regular Rates	
	Royal Arcanum 1916 Rates	Royal Arcanum Old Rates	National Fraternal Congress Rates	American 4 per cent 1-12 Annual Rate	Royal Arcanum 1916 Rates	Royal Arcanum Old Rates
21.....	\$0 93	\$0 81	\$0 93	\$1 08	\$0 72	\$0 63
25.....	1 06	0 92	1 04	1 18	0 79	0 67
30.....	1 26	1 10	1 22	1 35	0 91	0 72
35.....	1 53	1 30	1 45	1 57	1 06	0 83
40.....	1 90	1 61	1 76	1 86	1 25	1 01
45.....	2 40	2 00	2 16	2 26	1 55	1 26
50.....	3 08	2 52	2 71	2 81	1 91	1 55
55.....	4 02	3 14	3 44	3 57	2 42	1 89
60.....	5 48	3 99	4 47	4 62	3 14	2 29
65.....	7 69	5 36	5 93	6 10	7 69	5 36
70.....					10 64	5 36

Upon application, after the payment of the 1916 rates for at least four years, Table A members are promised a paid-up equity for an amount of protection which the reserves, less a surrender charge of one per cent of the face value of the certificates, will purchase. A disability benefit of one-half the amount of the certificate is also promised to Table A members if total and permanent disability occur four years or more from the date of entry under these new rates. After payment of the new rates for at least four years, an old age benefit equal to the reserve, and in no case to be less than \$175, is also promised to Table A and Regular Rate members, upon application, on arriving at the age of 70 years or upwards.

A definite amount of old age benefit, dependent on the age of entry, is promised under Option D to members upon attaining age 70. The waiver of assessments for Option D members, in the event of total and permanent disability, is provided if such disability occur before the attainment of age 60.

Of these certificate equities, the only one requiring special analysis in this report is the guarantee of a paid-up equity for Table A members. In the following paragraphs the condition of this class is set forth.

Paid-up Equities under Option A

The by-law accepted by the Supreme Council at its session September, 1916, regarding the members to whom paid-up protection should be given on application is as follows:

Any member selecting Table A as the plan of his assessment rate may, at any time after the payment of said rate for four years, surrender his benefit certificate, make application for and receive a new certificate for an amount of protection which his reserve, less a surrender charge of one per cent. of face value of his benefit certificate, will purchase when applied as a single premium for paid-up protection, such single premium being calculated on the basis of the mortality table used in the computation of the New Whole Life table, designated as Table A, together with four per cent interest;

The wording of this section is somewhat obscure, as it does not clearly state whether this option is to be limited to new members entering the order since the new rates became effective, or whether it is applicable to all members of the Option or

Table A class, regardless of their dates of entrance. In this connection and explanatory of this provision of the by-laws, the Bulletin of the society for October, 1916, says:

Upon proper application a surrender value will be granted in the form of paid-up protection for life, based upon the reserve accumulated to date of such surrender. Members thereafter will be free from further regular monthly assessments.

Whatever the interpretation, the fact remains that the society in its publications and instructions is guaranteeing paid-up equities to all members of the Table A class upon application at any time after the payment of the new rates for four years.

The contributions of this class have never been separated from the contributions of the entire membership; and although members have paid an annual rate sufficient to accumulate some reserve, such accumulations have been largely used in paying death claims incurred under the other plans of insurance, and the reserve for the paid-up equities now promised cannot have been accumulated from the contributions of the members in this class. The total admitted assets, according to Massachusetts standard, as of December 31, 1916, were \$4,446,712.06. Calculations made by the consulting actuaries during 1916 show that of this amount not more than \$1,500,000 can properly be credited to Table A members. Ascertained from the same source, the reserve necessary to fulfill contract provisions for this class was in 1916 about \$5,300,000. The reserve now computed by your actuaries as of September 30, 1917, on the basis of the Royal Arcanum 1915 table and 4 per cent interest, shows that \$4,498,184 is the amount which should be in hand at that date if the full reserve is to be maintained. As the reserve required by statute before paid-up equities can be promised must be at least equal to that calculated on the American Experience table and 4 per cent interest, the reserve according to that standard has been computed and the required amount found to be \$4,871,545. This exceeds by almost \$400,000 the required reserve on the Royal Arcanum 1915 table.

It is evident, therefore, that the necessary reserve has not been maintained from the contributions of the members of this class, that such paid-up equities will exceed in value the portion

of the reserve derived from the payments of the individual members to whom they are promised, and that the reserve accumulations are not equal to those computed on the basis of the American Experience table and 4 per cent interest. In view of these conditions, the society cannot properly promise this paid-up equity to certificate holders of this class, as such a guarantee conflicts with the provision of the fraternal law relating to the granting of paid-up equities. This is found in the Massachusetts statutes in subsection 2 of section 5, chapter 628, Acts of 1911, as amended, and reads as follows:

Any society which shall show by the annual valuation hereinafter provided for that it is accumulating and maintaining the full reserve required by a table of mortality not lower than the American Experience table and four per cent interest, may grant to its members such extended or paid-up protection or such withdrawal equities as its constitution and laws may provide: *provided*, that such grants shall be equitable, and shall in no case exceed in value the portion of the reserve derived from the payments of the individual members to whom they are made.

Assessments Charged Under Option C

The assessments which are being collected under Option C since the new rates went into effect are based upon assessed age instead of attained age. The original recommendations before the supreme council provided "that all members now on Option C shall be rated at their present assessed ages, and that any present member not now on Option C may transfer thereto at the rate for his attained age." The provision as adopted based the rate for all members on their attained age November 1, 1916, as follows:

Option C.—A constant rate for members admitted prior to the first day of November, 1916, at their attained ages with full amount of benefit certificate payable until the attainment of age 60. . . .

The order was not cognizant of the fact that rates were being charged in conflict with the specifications of the by-laws. The members in this class comprise about 1,000 lives, and the increased assessment which should be charged according to the by-laws is in many cases 50 per cent or more greater than the assessment now being paid. Upon presenting this situation to the officers of the order, it was stated that it was undoubtedly

the intention of the supreme council to allow assessments to be charged as of assessed age. It is worthy of note, however, that the recommendations of the consulting actuaries provide for the payment of assessments by members of this class at attained age. A change should be made either in the by-laws, to make them conform to the present method of assessment, or in the rates assessed to each member, to make them in accordance with the accepted by-laws.

Effect of Re-rating on Lapse Rate

The effect upon the order of the increase in rates made in 1916 is most clearly reflected in the exhibit of Terminations by Lapse and Decrease. During the years 1912 to 1915, inclusive, the lapse experience was practically uniform, averaging about 11,000 members for about \$17,000,000 of benefit each year. In the year 1916, when re-rating took place, the total number of members suspending payment increased to 69,667, while the total benefit terminated amounted to \$174,601,692, a decrease in membership in number six times that of the previous year and in amount more than nine times that of the previous year. The suspensions shown by months for 1917 indicate that the order is rapidly approaching a normal condition again, as lapses and reductions of \$10,904,750 for January, 1917, have decreased to \$1,509,790 for September in a fairly even proportion.

It is interesting to note, however, the effect that an adverse agitation had upon the membership. In April, 1917, when an unsuccessful attempt was begun for the appointment of a permanent receiver, lapses increased from the expected amount of about \$4,000,000 to over \$6,000,000. An inspection of the following table will show that the increase in lapse rate in this month is apparently the only one to disturb the diminishing monthly sequence. It is fair to conclude that the bringing of this suit against the order, and the publicity given to it, resulted in an immediate loss in membership, amounting on more than 1,000 certificates to \$2,000,000 of insurance, and a further indeterminate loss in following months. Too much importance cannot be given the fact that adverse legal proceedings have a disastrous effect upon any fraternal society.

EXHIBIT 4 — *Terminations by Lapse and Decrease*

<i>Year</i>	<i>Number</i>	<i>Amount</i>
1912.....	11,113	\$17,981,482 77
1913.....	10,472	15,673,500 00
1914.....	10,808	16,443,500 00
1915.....	11,549	18,648,000 00
1916.....	69,667	174,601,692 00

<i>Year</i>	<i>Approximate Number</i>	<i>Monthly Amount</i>
1917		
January.....	6,971	\$10,904,750 00
February.....	3,562	5,572,170 00
March.....	2,830	4,426,340 00
April.....	3,889	6,083,908 00
May.....	2,575	4,028,093 00
June.....	2,002	3,130,582 00
July.....	1,623	2,538,362 00
August.....	1,367	2,138,427 00
September.....	965	1,509,790 00
Total for 1917 (approximate).....	25,784	\$40,332,422 00

This table peculiarly illustrates the actual conditions during and following this 1916 change in rating. It is significant at this time as it shows a rapidly decreasing lapse rate, which in turn indicates renewed confidence in the society and augurs well for the future of the order. It is essential, however, that new members enter the society to take the place of those whose benefit has been terminated. During the first nine months of 1917, an unsettled period, only 745 new members entered the order.

Half-Cash Assessments

The method of paying one-half of the assessments in cash, the remainder being accumulated as a lien against the certificates with 4 per cent interest, as a remedial measure for the higher assessments charged at the older ages, was first adopted in September, 1905, and was made applicable only to members on the Regular Rate plan at attained age 65 or over. The fallacy in this method of payment lay in the fact that the accumulated lien with interest was a complete loss to the order in the event of lapse, the collection of the required assessments being

affected only in the case of those Half-Cash members who continued their assessments until death, when the accumulated lien was deducted. This plan of payment discriminated in favor of the member on the Half-Rate plan and was inequitable to other members, as the difference between the half assessment actually paid and the cost of the insurance had to be made up from the contributions of members paying an adequate rate. The amount recovered by the deduction of the accumulated lien from the face of the certificates of those who died did not in any way make up for the losses incurred on the certificates of those who lapsed.

Knowledge of this condition led the order in 1914 to enact an amendment limiting the members to whom the half-cash privilege was available to those who were admitted prior to July 1, 1905, and who attained age 65 prior to October 1, 1914.

In 1912, the date of the last joint insurance department examination, the situation arising from the half-cash method of payment was prejudicial to the future of the order. In Exhibit 5 it is shown that the condition of 1912 in respect to his half-cash situation is not that of September 30, 1917, as lapses and deaths among the older members paying under this plan of assessment have decreased to a great extent the amount of insurance affected. Where \$42,349,000 was the face of the certificates subject to the half-cash privilege in 1912, the corresponding amount on September 30, 1917, was but \$4,478,500, while the accumulated lien of 1912, \$4,144,696.56, decreased to \$1,307,582.46. It seems evident, therefore, that the problem of the half-cash method of payment is rapidly being solved.

The amounts shown in this exhibit differ in some respects from the liens reported in the annual statements. This is due to the fact that this exhibit is based on final advices to the order, whereas the figures appearing in the financial statements are based on returns up to the time of filing the statements.

EXHIBIT 5 — *Certificates with Half-Cash Liens*

<i>Year</i>	<i>Accumulated Lien</i>	<i>Face of Corresponding Certificates</i>	<i>Net Amount of Insurance</i>
1912.....	\$4,144,696 56	\$42,349,000 00	\$38,204,303 44
1913.....	4,791,573 72	29,171,000 00	24,379,426 28
1914.....	5,441,647 45	30,186,000 00	24,744,352 55
1915.....	5,914,197 85	27,387,500 00	21,473,302 15
1916.....	1,488,835 33	6,128,000 00	4,639,164 67
1917 (9 months).....	1,307,582 46	4,478,500 00	3,170,917 54

MORTALITY EXPERIENCE 1905-1917

At the time of the last examination of the order mortality statistics were compiled and ratios of actual to expected deaths determined based upon the Royal Arcanum 1905 and the National Fraternal Congress tables. Statistics since that time have now been tabulated and ratios are hereinafter shown covering the complete experience of the order by groups of five ages based on the Royal Arcanum 1905 and the Royal Arcanum "Higher" tables.

The experience by ages and years, based on the Royal Arcanum 1905 table, clearly indicates that the mortality at the higher ages was decidedly adverse, and the totals for each year show that the actual mortality experienced has exceeded that expected by from 10 to 20 per cent each year. As the Royal Arcanum "Higher" table was based upon the Term experience of the years 1905 to 1914, inclusive, the comparison of actual to expected mortality on the basis of this table is of great weight at the present time, covering as it does the same period, and should prove approximately whether or not the table is correct. The fact, now determined, that the total mortality experience is for every year until 1917 100 per cent, or slightly less than 100 per cent, except for 1906 and 1907, the years which immediately follow the 1905 rate revision, proves that this table, now adopted, reflects with a very considerable degree of accuracy the actual experience of the order over these years.

In every fraternal order a rate revision is followed by an increased mortality rate. Your attention has already been called to the years 1906 and 1907, and a similar condition as to mor-

tality is true for the nine months of 1917, the ratio of actual to expected mortality being 122.47 per cent. During these months, therefore, the actual cost to the order for each expected claim for \$1,000 has been \$1,224.70, while the excess mortality of the entire membership, as shown by the face amount of the certificates, represented a loss of \$959,156. This increase in mortality rate, as already stated, is a natural result of the rate increase and usually continues when the membership is not greatly depleted for a few years after the new rates have become operative. The effect of this so-called "adverse selection" then gradually diminishes, and the order with the entrance of new members again experiences a normal rate of mortality. Hence, the ratio of actual to expected deaths for the nine months of 1917 should not be considered an index of the probable future rate of mortality.

VALUATION EXHIBIT

An exact valuation, as required by statute, has been computed of all outstanding benefit certificates. This valuation is, under the statute, not to be regarded as a test of financial solvency in any action that may arise, such solvency being determined by the current financial exhibit. It is the standard by which the sufficiency of future assessments to meet future death claims is judged and by which the necessary amount of present reserve is ascertained. It shows as contingent assets the present value, calculated on the monthly basis, of the future net mortuary contributions provided in the Constitution and Laws, and as contingent liabilities the present value of the death benefits promised in the outstanding certificates of the society.

In the following exhibit, conforming in every detail with that required to be filed with the different insurance departments each year, the reserve as of September 30, 1917, for each class is shown, together with the total reserve necessary for all certificates. The present value of the deficient premiums of members over 70 years of age, included in the reserve below, amounts to \$1,436,473.

Aside from the present value of future contributions, the items making up the asset account are the admitted assets given in

the financial statement (omitting all general or expense fund accounts), and the value of the half-cash liens to the extent of the actual reserve accumulated on the half-cash lien class.

The only liability, aside from the present value of future benefits, is that of unpaid death claims amounting to \$743,440.

On the basis of the future, therefore, which we again point out cannot by statute be used as a test of financial solvency, the assets are 99 per cent of the liabilities, the difference between these two accounts representing a present money value of \$1,357,473.

EXHIBIT 9

VALUATION EXHIBIT

Assets—Actual and Contingent

Present mid-year value of future net contributions.....	\$120,972,627
On regular rate certificates, death only.....	\$103,047,736
On Table A certificates, death only.....	15,733,731
On Option B certificates, death only.....	830,459
On Option C certificates, death only.....	715,663
On Option D certificates, death only.....	645,038
Admitted assets, less \$136,820 general and expense funds....	4,652,664
Liens and interest thereon, on certificates valued according to the prospective method (reserve only).....	78,280
Total	\$125,703,571

Liabilities—Actual and Contingent

Present mid-year value of promised benefits.....	\$126,317,604
On regular rate certificates, death only.....	\$103,841,869
On Table A certificates, death only.....	20,178,790
On Option B certificates, death only.....	826,854
On Option C certificates, death only.....	860,377
On Option D certificates, death only.....	609,714
Accrued liabilities	743,440
Total	\$127,061,044
Balance	\$1,357,473
Amount of general or expense fund.....	136,820
Amount of "non-admitted assets".....	1,764,990
Accrued claims on general or expense fund.....	7,722
Assets to liabilities (ratio of totals).....	99%

CONCLUSION

In conclusion it should be noted:

(1) The Royal Arcanum is being honestly and efficiently managed and its supreme officers have rendered every facility and assistance to your examiners.

(2) By reference to the assessments and claims listed in Exhibit 1, the vital necessity of the 1916 increase in rates is proved. Without such increase, the order would have been obliged, within a year, to call extra assessments to meet current death losses—a method of increasing contributions which would not offer a solution.

(3) The assessments now being collected, while apparently high at the older ages, as a matter of fact are not so burdensome as those which could be charged on the basis of the mortality experience of the order's own members. Absolute mathematical analyses demonstrate that assessments higher than those now charged could be levied in equity upon members over 70 years of age.

(4) The large membership which the Royal Arcanum still retains, the solvent condition indicated by the financial statement, and a statutory ratio of future contributions, plus admitted assets, to future benefits, increased by actual liabilities, amounting to 99 per cent, afford justification for the conclusion that with a reasonable addition to its membership its obligations can be met as they accrue, especially since in computing this ratio no credit has been allowed for General or Expense Funds amounting to \$136,820 and for unsecured Half-Cash Liens to the extent of over \$1,200,000.

(5) Proceedings against the order through the courts and the resultant publicity through the press are, in view of the society's sound financial condition, greatly to be deplored, inasmuch as they undermine the confidence of members unnecessarily and affect adversely the equity of every certificate holder.

UNITED STATES GRAND LODGE OF THE INDEPENDENT ORDER OF SONS OF BENJAMIN

NEW YORK CITY

*Examined to ascertain condition April 30, 1917.**Report dated July 12, 1917.**Examiners: John E. Diefendorf, Nathan Beckwith.*

FINANCIAL STATEMENT

Ledger Assets

Cash in office	\$1 53
Cash in banks	7,075 78
Claim against M. A. Elias, counsel of the order, under contract in re return of the deposit with the provincial treasurer of Quebec	300 00
Total ledger assets	<u>\$7,377 31</u>

Non-Ledger Assets

Assessments called but not overdue.....	\$1,949 05
Surrender values on lapsed certificates due from Metropolitan Life Insurance Company.....	822 83
Due from the Metropolitan Life Insurance Company on incurred death claims.....	5,031 04
Due from the Metropolitan Life Insurance Company for commissions on April, 1917, premiums	34 70
Total non-ledger assets.....	<u>7,837 62</u>

Gross assets	\$15,214 93
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Assets Not Admitted

Claim against M. A. Elias, counsel of the order under contract in re. return of deposit with the provincial treasurer of Quebec, in dispute.....	300 00
Total admitted assets	<u>\$14,914 93</u>

Liabilities

Death claims	\$5,577 00
Headstone deposits	159 00
Surrender value on lapsed certificates demanded	114 35
Due Mt. Zion Cemetery for care of grounds and assessment	145 00
Total liabilities	<u>5,995 35</u>

Surplus	<u><u>\$8,919 58</u></u>
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Income and Disbursements

The income and disbursements for the four months ending April 30, 1917, were as follows:

Balance ledger assets December 31, 1916..... \$8,281 86

Income

Assessments	\$7,481 37	
Mortuary payments by the Metropolitan Life Insurance Company	5,614 08	
Interest on bank deposits.....	20 04	
Burial permits	2 00	
Disinterments	25 00	
Commissions received from the Metropolitan Life Insurance Company.....	108 72	
Surrender values on lapsed certificates received from the Metropolitan Life Insurance Company	1,120 58	
Total income		14,371 79
Total		\$22,653 65

Disbursements

Death claims	\$7,045 09	
Premiums paid to the Metropolitan Life Insurance Company	7,172 08	
Headstone deposits returned.....	25 00	
Salaries of officers.....	545 82	
Collections on checks.....	1 40	
Rent	166 64	
Postage	44 08	
Telephone	22 20	
Printing and stationery.....	3 16	
Convention expenses	11 57	
Allowances to delegates of Boston Lodge for expenses while attending convention.....	15 00	
Salary of counsel.....	50 00	
Payment to M. A. Elias of the interest on the deposit with the provincial treasurer of Quebec for the six months ending June 30, 1914, which was received by the order on the latter date, and which said Elias claimed belonged to him under agreement in re. the return of said deposit.....	75 00	
Cleaning office	24 00	
Other office expenses.....	5 60	
Premium on surety bond.....	6 25	
Collection commissions on assessments.....	46 45	
Sundry expenses	17 00	
Total disbursements		15,276 34
Balance ledger assets April 30, 1917.....		\$7,377 31

Annual Statement

In order to verify the items entered in the annual statement submitted by the order as of December 31, 1916, a thorough examination was made of the transactions of the order for the year 1916, and a statement covering same follows:

Income and Disbursements

Balance ledger assets December 31, 1915.....	\$11,357 68
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Income

Assessments	\$25,621 66	
Mortuary payments by Metropolitan Life Insurance Company	25,641 94	
Interest on bank balances	126 82	
Burial permits	26 00	
Disinterments	100 00	
Reserved graves	250 00	
Sale of cemetery plot	250 00	
Commissions from the Metropolitan Life Insurance Company	559 84	
Deposits received for headstones.....	110 00	
Surrender values on lapsed certificates received from the Metropolitan Life Insurance Company	665 35	
Item advanced to M. A. Elias, counsel for the order, December 15, 1913, which the latter agreed to refund (as per letter of January 26, 1914), the same being entered on the books of the order under date of December 31, 1916, as a ledger asset.....	100 00	
Total income		53,451 61
Total		\$64,809 29

Disbursements

Death claims	\$26,601 84
Premiums to the Metropolitan Life Insurance Company	23,628 63
Headstone deposits returned	60 00
Salaries of officers	1,750 00
Salary of counsel	500 00
Legal expenses other than counsel fees.....	19 50
Fees for filing annual statement with the Massachusetts department	20 00
Rent	499 92
Postage	121 96
Telephone	46 95

Printing and stationery	76 90
Convention expense	26 00
Allowances to delegates to Boston Lodge for expenses while attending the convention.....	15 00
Collections on checks.....	4 45
Payment of surrender values on lapsed certificates to certificate holders	95 95
Cleaning office	72 00
Christmas gifts	13 00
Office expenses	57 90
Cemetery expenses	22 00
Cemetery tax, Mt. Zion cemetery.....	52 50
Cutting grass in Washington cemetery.....	83 00
Premium on surety bond.....	6 25
Payment to Boston Lodge to be applied on the rent of said lodge's office.....	25 00
Examination by the Insurance Department...	85 98
Collection commissions on assessments.....	142 70
One-half of former deposit with the provincial treasurer of Quebec, Canada, allowed M. A. Elias, counsel for the order, as fee for services in taking down said deposit, as per agreement	2,500 00
Total disbursements	56,527 43
Balance ledger assets December 31, 1916.....	\$8,281 86

Assets and Liabilities

A statement of the assets and liabilities of the order as of December 31, 1916, is as follows:

Ledger Assets

Cash in office	\$14 39
Cash in banks	5,630 35
Item advanced to M. A. Elias, counsel for the order, December 15, 1913, which he agreed to refund to the order in his letter of January 26, 1914.....	100 00
Amount in hands of M. A. Elias, counsel for the order, the same representing half of the former deposit with the provincial treasurer of Quebec, Canada.....	2,500 00
Commissions on premiums for December, 1916, due from the Metropolitan Life Insurance Company.....	37 12
Total ledger assets.....	\$8,281 86

Non-Ledger Assets

Due from the Metropolitan Life Insurance Company on incurred death claims.....	\$1,941 58
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Surrender values	1,742 64	
Assessments called but not overdue.....	1,905 37	
Total non-ledger assets.....		5,589 59
Total assets		\$13,871 45

Assets Not Admitted

Funds advanced to M. A. Elias, counsel for the order, December 15, 1913, which it is alleged he agreed to refund, in dispute.....	\$100 00	
Cash in hands of M. A. Elias, counsel for the order, representing balance of order's share of special deposit with the provincial treasurer of Quebec, Canada, in dispute.....	200 00	
Total assets not admitted.....		300 00
Total admitted assets		\$13,571 45

Liabilities

Death claims	\$3,830 03	
Headstone deposits	184 00	
Salary due counsel	50 00	
Reserve for bills and other contingencies.....	75 00	
Overdraft Protection Lodge bank account.....	36 45	
Total liabilities		4,175 48
Surplus		\$9,395 97

HISTORY, ORGANIZATION AND RATES

This order commenced business on December 23, 1877, and was incorporated under the provision of the Insurance Law on June 27, 1895, the object being to insure persons of the Hebrew faith, both male and female, from eighteen to forty-five years of age. In the early days of the order both husband and wife were insured together, and the death of the husband terminated the wife's membership. The by-laws were later amended and the wife given all the rights of full membership.

The members are organized into lodges, all subordinate to the grand lodge, and assessments are levied on the former, whose officers in turn collect from the individual members. It appears that at the present time there are eleven regular lodges and, in

In addition, there are 295 members who formerly belonged to lodges that have disbanded. These members have been combined into one body called "Protection Lodge" with headquarters at the home office of the order. Its principal officers are the officers of the grand lodge. The grand secretary sends out calls to the members of this body about the 23d of each month. As the assessments are received they are deposited in a special bank account in the name of the Protection Lodge. From time to time transfers are made to the grand lodge account. While such transfers are usually made once a month, a small balance is left in the bank account and occasionally it is allowed to accumulate to \$1,100 or \$1,200.

REINSURANCE UNDER GROUP POLICY

On February 3, 1913, the grand lodge of the order entered into an agreement with the Metropolitan Life Insurance Company whereby the latter, under a group whole life blanket policy dated February 1, 1913, reinsured all members of the grand lodge who were in good standing on that date. Under this agreement the order pays the Metropolitan a monthly premium based upon a stipulated table of rates, the payments to be made at the attained age of each member at the date of the said agreement. Under this contract each member is insured for \$500, excepting there are at the present time twenty members insured for only \$250.

The first premium paid to the Metropolitan was from the accumulated funds of the order. All subsequent payments have been collected from the members according to attained age as of February 3, 1913, the members' payments being based upon a special table of rates adopted by the order, which was compiled with the idea of collecting from the younger members, whose assessments would naturally be comparatively light, a larger amount than was needed to pay the premiums on the same risk to the Metropolitan Life Insurance Company, and use the excess for the relief of the members well advanced in years, who are charged more under the terms of the reinsurance agreement. This arrangement relieved the older members from paying a rate which would, otherwise, have been prohibitive.

A comparison of the two tables for the ages indicated follows:

<i>Age Feb. 1913</i>	<i>Monthly Rates</i>	<i>Grand Lodge Table</i>	<i>Metropolitan Table</i>
25		\$1 50	\$0 79
30		1 50	92
35		2 25	1 10
40		2 25	1 32
45		2 65	1 60
50		2 65	1 98
55		3 00	2 47
60		3 50	3 13
65		4 25	4 01
68		4 75	4 68
69		4 75	4 94
70		4 75	5 21
75		5 25	6 13
80		5 75	9 11
85		6 25	12 30

CASH SURRENDER AND PAID UP VALUES

The policy issued by the Metropolitan contains provisions for cash surrender and paid up values in the event a member terminates his insurance after three full years' premiums have been paid. We find, however, that such values are not given to the members, except when specifically demanded. When no demand is made the cash surrender value is retained by the order and is used to augment the expense fund.

The cash surrender values received to date are as follows:

April 3, 1916, on 20 certificates.....	\$569 40
May 18, 1916, on 2 certificates.....	48 45
August, 1916, on 1 certificate.....	47 50
March 17, 1917, on 4 certificates.....	176 08
April 9, 1917, on 22 certificates.....	944 50
Total	<u>\$1,785 93</u>

Of the above total \$95.95 has been paid over to withdrawing members. Presumably those who did not apply for the cash surrender value did not know of the method being followed.

It is obvious that no such discrimination should be made among the members. It is true the Grand Lodge is under no contractual obligation to return anything on account of surrender values,

and it is apparent also that those members (69 years of age and over) who are paying assessments less than the premiums paid on the amount of their insurance under the reinsurance arrangement are not, in equity, entitled to any refund in the event of lapsation. However, under the peculiar circumstances, it should be merely an act compatible with true fraternalism if each retiring member, whether he applies for the same or not, be given the paid up value of his certificate to be used in defraying funeral expenses.

We would, therefore, recommend that in the cases above set forth the paid up value be determined as of the date of the lapsing of the member, and the Grand Lodge enter into negotiation with the Metropolitan Life Insurance Company to the end that each member affected be given the equity involved in the form of a paid up policy and that hereafter the surrender value be in this form and given to the withdrawing member.

The correct amounts due from the Metropolitan for surrender values as of December 31, 1916, and April 30, 1917, were found to be \$1,742.64, covering 43 certificates on the former date, and \$822.83, covering 21 certificates on the latter date. These amounts were allowed in the foregoing financial statements as non-ledger assets.

SETTLEMENT OF DEATH CLAIMS

The new rates which took effect in February, 1913, were considered to be on an annual basis, but collected monthly. Therefore, in paying a death claim, the Metropolitan deducts from the face of the claim the monthly premiums for the number of months remaining unpaid for the policy year beginning February 1st, using the table of rates agreed to between it and the order at the time the reinsurance arrangement became effective. The order in turn deducts from the amount payable to the beneficiary the assessments for the remaining months of the policy year according to the table of rates upon which the members are paying.

The clause relating to such deduction in the certificate of membership issued to each member at the time of reinsurance reads: "Less any unpaid portion of annual assessments due for

the then current year beginning from the date hereof." All certificates are dated February 15, 1913. We are, therefore, of the opinion that the order was not justified in deducting such assessments in the following cases where the new policy year did not begin until subsequent to the death of the member according to the contract he entered into:

<i>Loss No.</i>	<i>Name</i>	<i>Died</i>	<i>Insurance</i>	<i>Deduction by the order</i>
86	Chas. Strassman.....	Feb. 7, 1914	\$500 00	\$69 00
89	Daniel Jacobs.....	Feb. 12, 1914	500 00	36 00
133	Joseph Martin.....	Feb. 11, 1914	500 00	57 00
190	Henry V. Rosenbaum.....	Feb. 8, 1916	500 00	48 12
233	Michael Harris.....	Feb. 2, 1917	341 76	56 16

It is obvious that since the above named died in the month of February prior to the fifteenth, the anniversary date of the certificates, there were no unpaid instalments due on the current year's assessments, assuming the assessment for February had been paid.

This matter was brought to the attention of the management in the last report, but no consideration was given to it whatsoever.

We again recommend that the amounts deducted be paid over to the beneficiary of each member respectively.

DEPOSITS IN TRUST FOR MINORS

The order has deposited in banks, in savings accounts, trust funds for certain beneficiaries who are minors and who have had no guardians duly appointed. In doing this it treats each transaction as a paid claim as far as the assets and liabilities are concerned. When such claims are finally settled the amount, with interest, is drawn from the trust account and paid to the beneficiary or his representative, the item being again entered in the cash book as a receipt and disbursement.

The number of such accounts on April 30, 1917, was 47, amounting in the aggregate, including interest entered in the passbooks, to \$5,377.32.

AGE ADJUSTMENTS

Soon after the reinsurance with the Metropolitan Life Insurance Company was effected it developed that the ages given in

many of the applications filed with the order by its members were inaccurate. This resulted in the order sending to each member in 1916 a statement of his age as it appeared upon the records as of February 3, 1913, with a request that immediate notice be sent if the age given were incorrect. The result was disappointing, as the request seems to have been generally ignored. There have been, however, a few errors corrected, and in cases of under-statement of age by the assured the rate has been increased in order to repair the deficiency.

In the report of the last examination attention was called to the fact that adjustments because of over-statement of age have been ignored both by the order and by the Metropolitan Life Insurance Company. A recommendation was made that the cases cited in the report be reopened and the beneficiary paid the full amount of the death claim as adjusted according to the correct age of the deceased member.

The cases criticized were in violation of the express provision of the Metropolitan's policy which provides that "If the age of any one of the insured has been misstated, the amount payable shall be such as the premium paid for such life would have purchased at the correct age." It appears that both the order and the reinsuring company, in settling losses, pass such cases of over-statement of age without making the readjustment and paying the proper amount. In addition to the cases referred to in the last report we find others where the proofs are incomplete, but such information as is given indicates a probability that there has been an over-statement of age.

The following schedule sets forth the cases referred to, indicating the difference in the monthly rates as between the ages:

<i>Metropolitan serial No.</i>	<i>Claim No.</i>	<i>Date of death</i>	<i>Age upon which premium was based</i>	<i>Age in claim papers</i>	<i>Rate paid</i>	<i>Rate at correct age</i>
415.....	112	July 15, 1914	54	47	2 36	1 74
1776.....	114	Aug. 12, 1914	75	73	6 85	8 13
278.....	116	Sept. 2, 1914	64	63	3 81	3 62
1216.....	118	Sept. 14, 1914	60	58	3 13	2 84
1423.....	136	Mar. 3, 1915	65	62	4 01	3 45
1950.....	142	April 29, 1915	74	73	6 48	6 13
1772.....	155	July 13, 1915	65	64	4 01	3 81
602.....	193	Feb. 18, 1916	81	80	9 61	9 11
1175.....	187	Oct. 5, 1916	53	50	2 26	1 98

<i>Metropolitan serial No.</i>	<i>Claim No.</i>	<i>Date of death</i>	<i>Age upon which premium was based</i>	<i>Age in claim papers</i>	<i>Rate paid</i>	<i>Rate at correct age</i>
1659.....	192	Feb. 17, 1916	65	64	4 01	3 81
1441.....	197	Feb. 23, 1916	66	65	4 22	4 01
687.....	214	Aug. 25, 1916	68	65	4 68	4 01
931.....	217	Sept. 14, 1916	59	53	2 98	2 26
382.....	202	May 1, 1916	81	80	9 61	9 11
1112.....	252	May 25, 1917	56	54	2 58	2 36
31.....	249	May 7, 1917	69	66	4 94	4 22
1934.....	243	April 14, 1917	64	60	3 81	3 13
408.....	225	Nov. 5, 1916	59	48	2 98	1 82
459.....	195	Mar. 15, 1916	50	49	1 98	1 90
1482.....	17	Mar. 13, 1913	66	63	4 22	3 62
1547.....	53	July 18, 1913	59	54	2 98	2 36
6.....	61	Sept. 9, 1913	71	68	5 50	4 68
1043.....	66	Oct. 5, 1913	60	59	3 13	2 98
1237.....	82	Jan. 5, 1914	69	68	4 94	4 68
266.....	104	April 25, 1914	80	79	9 11	8 60
264.....	105	May 5, 1914	63	56	3 62	2 58
956.....	68	Sept. 18, 1913	57	56	2 71	2 58
.....	107	June 11, 1914	62	61	3 45	3 28

We would, therefore, recommend that all the above cases be reopened without delay, and that steps be taken to obtain complete proofs. Also, where it is found that the ages upon which the rates were based were greater than the actual ages, the beneficiaries be paid an increased amount according to the provisions in the policy contract.

LOST POLICY

It developed in connection with the above matter that the management of the order has lost or misplaced the policy of reinsurance. Consequently it is dependent merely upon the memory of its officers as to the obligations and rights under the said contract. The result is that there appears to be a meagre and incomplete idea of the policy provisions. Steps should immediately be taken to locate the missing document and if it cannot be found a certified copy should at once be obtained from the Metropolitan Life Insurance Company. Each of the grand officers and the members of the executive board should then familiarize himself with all the provisions of the policy, to the end that its terms be strictly carried out. The policy gives detailed tables of premium rates, cash surrender and paid up

values and outlines clearly the method of computing the net death claim. The grand officers, especially the grand secretary, should check up each surrender or paid up value and each death claim received from the reinsuring company. If this procedure had been followed the omission of the above required adjustments because of over-statement of age would have been impossible, and the necessity of reopening the cases would have been avoided.

CEMETERY

The order owns two cemetery plots, one in Washington Cemetery and the other in Mount Zion Cemetery of Maspeth, L. I. Both are free and clear of liens or debts. The former is filled and the latter about one-quarter full, according to information received from the grand secretary. The order's fixed cemetery expenses are approximately \$85 on the former and \$50 on the latter per annum, for the care of grounds, etc. The cemetery income consists of burial permits, disinterment fees, sale of reserved graves and plots.

MEMBERSHIP AND INSURANCE

The order is now taking in no new members. It had a membership on April 30, 1917, of 495, a decrease of about 51 since the previous examination. The insurance in force on above date was \$242,500.

OFFICERS AND SALARIES

The present officers of the order are as follows: Grand Master, Julius Gumpert; Grand Secretary, Louis B. Franklin; Grand Treasurer, Theodore Katz.

The salary of the Grand Master was reduced by the last convention from \$250 to \$100 per annum. The salary of the Grand Secretary is \$1,500 per annum. The Grand Treasurer serves without compensation.

The convention abolished the salary of the General Counsel at the convention held this year. He, however, still retains his title, and is to be paid for any special work. The Grand Secretary is under bond in the sum of \$2,500.

CASH DEPOSIT WITH CANADIAN PROVINCIAL GOVERNMENT

For a number of years the order had a cash deposit with the Province of Quebec, Canada, in the sum of \$5,000, for the pro-

tection of member citizens thereof. Under date of January 26, 1914, it appears that a written contract was entered into between the order and its counsel, M. Angelo Elias, Esq., whereby it was agreed that the latter would recover the said deposit and receive for his services therefor all in excess of \$2,500. It seems that this contract was ratified by a majority of the delegates in convention representing the subordinate lodges which convened on January 25, 1914, the number of delegates present, according to the minutes of the proceeding, being twenty-two.

We find that the counsel recovered, through local attorneys, the whole deposit, with interest, amounting to the total sum of approximately \$5,428, out of which he has remitted to the order the sum of \$2,300.

The following letter from the Superintendent of Insurance of the Province of Quebec shows to whom the cash in the above matter was directly paid:

QUEBEC, *January 12, 1917.*

LOUIS B. FRANKLIN, ESQ., *Grand Secretary Independent Order Sons of Benjamin (U. S. G. L.), New York, U. S. A:*

SIR.—In reply to your letter of the 9th inst., re. the release of the \$5,000 deposit of your order with the Provincial Treasurer of this Province, I beg to inform you that the deposit, pursuant to our order in council dated November 7th, 1916, has been paid over as follows: \$800 to Messrs. Trihey, Bercovitch, Kearney & Lafontaine, Montreal, Que.; \$4,200 and accrued interest on the deposit to Mr. Marcus M. Sperber, the attorney of the Order.

I have the honor to be, Sir, your obedient servant,

WILLIAM CHUBB,

Superintendent of Insurance, P. Q.

The Grand Secretary claims that the counsel is still indebted to the order, according to the agreement, in the amount of \$380, being the balance due on half the amount of the deposit, \$200, and \$180 representing an advance for traveling expenses; \$300 of this indebtedness is acknowledged to be owing by the counsel in a letter a copy of which is as follows:

NEW YORK, *January 26, 1914.*

LOUIS B. FRANKLIN, ESQ., *No. 953 Third Avenue, New York City:*

MY DEAR LOUIS.—Enclosed please find copy of the agreement for the collection of moneys in Canada as per resolution passed in the convention of yesterday.

While this agreement does not mention anything about the Moses Hansher matter in Canada, it is understood that all services rendered by any attorney or disbursements incurred in the defense of the action of Dame Aggie Bern-

stein Hansher shall be borne by me and considered as a part of the compensation provided for in the agreement proposed and passed by the convention.

It is also understood that out of the collection of the moneys held by the treasurer of the Dominion of Canada the order is in reality to receive \$2,600 instead of \$2,500 as set forth in the agreement; this \$100 being the moneys advanced for the trip to Canada made in behalf of the order by me in the month of December, 1913.

Sincerely yours,
M. ANGELO ELIAS.

The difference, amounting to \$80, represents advances made to the counsel for traveling expenses in connection with this matter.

In order to investigate thoroughly a transaction of such an unusual character, a letter was sent by this Department to the counsel, requesting him to explain just what services he rendered in the matter, setting forth the disbursements made by him to any person or persons in connection therewith and the purpose of the same; also to submit all the correspondence in the case and to state the amount due by him to the order to complete the settlement. In reply thereto the following letter was received:

NEW YORK, May 25, 1917.

HON. JESSE S. PHILLIPS, *Superintendent Insurance Department, 165 Broadway, New York City:*

DEAR SIR.— Beg to acknowledge the receipt of your favor of the 23d instant. Noted carefully contents.

While not recognizing your authority to demand a reply to your queries concerning the subject matter of your letter would, however, state that you are in error when you say that the executive board of the Sons of Benjamin made a contract with me.

A contract was made by the constitutional convention of the order with me.

I am not indebted to the order for any moneys whatsoever.

Sincerely yours,
M. ANGELO ELIAS.

Later a telephone conversation was had with the council in which he refused to give any further information.

It is obvious that moneys paid out by a fraternal order on this scale in such an unusual transaction shows either gross laxity in management or else a conspiracy to defraud the organization, and the same should be thoroughly investigated.

We are informed that all the government of the Province of Quebec required in order that the deposit be returned to the order was the settlement of all death claims of the members in

such province and the issuance to each of the ten remaining living members of a policy of the Metropolitan Life Insurance Company covering the amount of their insurance, in lieu of the group policy under which they had been insured. This was done by the Metropolitan issuing separate policies to each of the members affected.

In our opinion all that was required of the officers in order to take down the said deposit was a simple request of the officials of the government of Quebec of a plain statement of its requirements and to meet the same as was done. If any trouble had developed advice should have been sought of the Insurance Department.

CONCLUSION

It is the opinion of your examiners that this order has passed its usefulness. No new members are being admitted. The present membership numbers only 495. The affairs at the headquarters of the order are in the hands of the grand secretary who, at the present time, is physically incapable of administering the same efficiently. The fact that one-half at least of the Canadian deposit has been practically wasted only illustrates how inefficient the management has become. It would be much better if the organization would disband and the members thereof be given directly a policy by the Metropolitan Life Insurance Company covering their protection, if this can be done. The only obstacle it would seem to this arrangement is in the fact that, as above stated, certain of the members are not paying to the grand lodge as high a rate of assessment as the grand lodge is paying to the Metropolitan to cover the protection. On the other hand the order has an accumulated surplus of approximately \$9,000 and it might be possible that an arrangement could be entered into with the Metropolitan whereby a certain amount of this surplus could be turned over to it for the purpose of amortizing the difference between the assessments paid in by such members and the premium collected from the grand lodge, to the end that each member would pay in the future the same monthly rate as he is now paying.

There is no question in the minds of your examiners that the interest of the members of this organization would best be served if the arrangement above described could be carried out and the grand lodge discontinue business.

UNITED STATES GRAND LODGE OF THE INDEPENDENT ORDER SONS OF BENJAMIN

NEW YORK CITY

Examined to ascertain condition April 30, 1918.

Report dated June 6, 1918.

Examiners: John E. Diefendorf, J. F. Tucker.

FINANCIAL STATEMENT

Ledger Assets

Cash in banks	\$9,545 58	
Cash in office	45 25	
Due on account of M. A. Elias.....	45 00	
Total ledger assets		\$9,635 83

Non-Ledger Assets

Assessments in course of collection, being balance of April assessments unpaid.....	\$196 00	
Due from the Metropolitan Life Insurance Company:		
For incurred death claims.....	4,203 45	
For commissions	72 10	
Due from M. A. Elias for expenses advanced on trip to Montreal.....	30 00	
Total non-ledger assets		4,501 55
Gross assets		\$14,137 38

Assets Not Admitted

Due on account of M. A. Elias.....	75 00	
Total admitted assets		\$14,062 38

Liabilities

Death claims	\$7,519 87	
Headstone deposits	94 00	
Total liabilities		7,613 87
Surplus		\$6,448 51

Income and Disbursements

The income and disbursements for the year ended April 30, 1918, were as follows:

Balance, ledger assets, April 30, 1917..... \$7,377 31

Income

Assessments received from members.....	\$21,527 96	
Interest on bank deposits.....	125 81	
Reserved graves.....	305 00	
Graves sold.....	25 00	
Headstone deposits.....	10 00	
Burial and disinterment fees.....	60 00	
Payments my Metropolitan Life Insurance Company:		
Claims	\$19,837 13	
Surrender values	251 67	
Commissions	351 61	20,440 41

Total income 42,494 18

Total \$49,871 49

Disbursements

Death claims	\$16,827 25
Surrender values.....	105 67
Premiums to Metropolitan Life Insurance Co.	19,450 52
Salary of grand master (10 months).....	83 30
Salary of secretary.....	1,500 00
Legal expenses	572 20
Collection fees	113 50
Rent	499 92
Printing and stationery.....	67 51
Postage and telephone.....	177 80
Cemetery expenses	137 00
Headstone deposits returned	75 00
Insurance departments	120 72
Rent paid for Boston Lodge.....	25 00
Donation to Peoples Hospital.....	25 00
Convention expense	41 00
Fire insurance premium.....	22 25
Premium on bond of secretary.....	6 25
Office cleaning	72 00
Allowance to M. A. Elias.....	255 00
Miscellaneous expenses.....	58 77

Total disbursements 40,235 66

Balance, ledger assets, April 30, 1918..... \$9,635 83

HISTORY

The history of the order is fully set forth in previous reports duly made and filed in the office of the Superintendent of Insurance of this State. The order commenced business on December 23, 1877, and for a number of years grew and prospered. Its largest membership was attained in 1902 when the total members numbered 26,000.

*Number of Members and Insurance in Force at Present Below
Legal Requirements*

Since 1902 the number of members has gradually declined, and on April 30, 1918, the total was only 458, and the total amount of death benefit insurance in force only \$224,750, whereas the law requires such a corporation for incorporation and authorization to have at least 500 members and \$500,000 death benefit insurance in force. The financial condition of the order has also declined as hereinafter shown.

The following table shows the number of members and amount of insurance outstanding, together with the admitted assets and accrued liabilities on December 31, of each year, for the last ten years.

Year	Number of members	Insurance in force	Admitted assets	Accrued liabilities
1908.....	17,533	\$12,367,000	\$193,652 70	\$97,798 50
1909.....	14,951	9,031,000	198,552 82	89,865 00
1910.....	10,531	5,267,500	125,309 69	63,246 00
1911.....	6,818	3,410,500	75,709 61	24,243 25
1912.....	2,198	1,099,500	49,668 54	26,180 90
1913.....	811	398,750	13,120 59	2,133 47
1914.....	742	364,000	6,612 59	1,093 98
1915.....	632	310,250	6,944 93	2,782 23
1916.....	533	261,500	13,571 45	4,175 48
1917.....	479	234,500	9,964 01	3,249 95
1918 (April 30).....	458	224,750	*14,062 38	*7,448 51

Assets of the Order in Jeopardy Due to Laxity in Management:

On the last examination made by this Department as of April 30, 1917, as shown by report dated July 12, 1917, it was found

* Assets and liabilities include amounts due from the Metropolitan Life Insurance Company on claims incurred and amount due members, respectively.

that the grand lodge had made a deposit of \$5,000 with the Province of Quebec for the protection of members who were citizens of that Province, and that the accrued interest thereon amounted to the sum of \$428, and that while no litigation or especial difficulty was presented or encountered in the recovery of said fund and accrued interest, the grand lodge allowed M. A. Elias, counsel to the order, to collect the deposit and interest and retain \$3,128 thereof as and for fees and expenses. We find that all the government of the Province of Quebec required, in order that the deposit be returned to the order, was the settlement of all death claims of the members in such province and the issuance and delivery to each of the ten living members of such province a policy issued by the Metropolitan Life Insurance Company covering the amount of their insurances, in lieu of the group policy under which they had been insured. The ten or eleven death claims outstanding in Canada were paid and the Metropolitan Life Insurance Company issued and delivered separate policies to each of the living members. This having been done, all that was thereafter necessary in order to take down said deposit and interest was a simple request by letter to the officials of the government of Quebec setting forth proof that the requirements had been complied with. In our opinion it did not require a trip to Canada or the services of extra counsel to recover the said deposit and accumulated interest.

It was further found on said last examination that on April 30, 1917, said Elias was indebted to the order for the sum of at least \$380 (\$300 being carried on the ledger and \$80 having been advanced for traveling expenses and included in general disbursements) in connection with the recovery of said deposit from the Province of Quebec, and which said counsel was to refund. On December 31, 1917, the sum of \$255 of said ledger balance of \$300 was charged off on account of disbursements which said Elias claims to have made in Canada in connection with the settlement of a suit to secure the return from the Canadian Insurance Department of said \$5,000 deposit made with the Province of Quebec. There are no records in the possession of the grand lodge which show the purpose of such disbursements, or whether they were actually made. We are

informed that the book entry giving Elias credit for the \$255 above referred to was made by the secretary solely upon oral statements and instructions received over the telephone. In addition thereto the order has paid Elias during the twelve months ending April 30, 1918, various amounts totaling \$572.20, the particulars of which have not been submitted to the order according to the statements of the grand secretary, and the latter does not know, and the records of the order do not show, what they were for. The grand secretary is old and enfeebled in body and mind, and is dominated by Elias and acts upon oral instructions from Elias without any authority from the executive committee, which body, according to the constitution and by-laws, is exclusively charged with the duty of administering the affairs of the order. This committee does not exercise supervision or control over the business and affairs of the order, but delegates or leaves, without power so to do, the conduct of the business and affairs of the order entirely to the aged and enfeebled grand secretary, who in turn acts upon oral instructions received from Elias.

In our opinion Elias had no right whatsoever, under any contract or otherwise, to retain the interest amounting to the sum of \$428 which had accrued on said deposit of \$5,000 with the Province of Quebec. This was not the apparent intention even under the extraordinary contract entered into.

We find that the amount retained by Elias out of the deposit in Quebec is an exorbitant and excessive charge for the services rendered by him and that he should be compelled to account for and return the amount retained and present an itemized bill for the services rendered by him. We believe that the charges made by Elias and the credits made to him on the books of the order are improper, and constitute a waste and conversion of the funds of the order. We find that if no other purpose than to recover the amounts improperly taken and retained by said counsel, the Superintendent of Insurance should be directed to conduct the business of the grand lodge and recover for the members and creditors thereof the funds unlawfully received and retained by Elias, and properly adjust with him any claim which he may have for services rendered as counsel to the order.

It appears that the order is carrying said Elias, his wife and two sons on the records as members in good standing without requiring from them monthly payments of assessments. Apparently it has been the custom to deduct the amounts due for accumulated assessments for certain periods of time from bills rendered by Elias for legal services; yet the order paid a bill in full during the month of April this year without any deduction for assessments, although there was due at the time at least \$75, assuming that all disbursements made to him in the past were proper, and that the credit of \$255 given to his account above mentioned was correct.

We find that the payment of money by said order and the manipulations of its account as hereinbefore described are unusual transactions and show either a gross laxity in management or a conspiracy to defraud the organization and the members and creditors thereof, and a conversion of the funds of the order; that the officers and executive committee have been unfaithful to their trust and no longer should be entrusted with the duties imposed upon them; and that in view of the fact that these matters were referred to in the last report and a recommendation made that the management adjust the matter with Elias, and no attempt has been made to comply with such recommendation, the Superintendent of Insurance should be directed to conduct the business and affairs of the order under section 63 of the Insurance Law so that these matters may be properly adjusted.

Reinsurance:

In previous reports on examination of this order the reinsurance arrangement with the Metropolitan Life Insurance Company has been fully set forth. Briefly, the order entered into a reinsurance agreement with the Metropolitan under a blanket policy whereby all the members of the order were reinsured, and the grand lodge agreed to pay to the Metropolitan higher rates of premiums for members over sixty-nine years of age than was collected by the grand lodge from such members, while it paid a lower rate to the Metropolitan for members under sixty-nine years than it collected from this class, as more fully shown by the tables of rates set forth in said former reports, herein referred

tô. It was shown in said report that the handling of the business of the grand lodge in connection with the reinsurance policy issued by the Metropolitan Life Insurance Company and the adjustment of payments due thereunder to members, was found not to be in the best interest of the members; that said order had passed its usefulness and the management of the order in general was severely criticized, and it was recommended in the last report that if an arrangement could be made with the Metropolitan Life Insurance Company whereby each member would receive an individual policy directly from the said company and in the future pay the monthly premiums directly to the latter, it would be to the best interests of the members that this be done and the grand lodge liquidated pursuant to the laws of this State.

After said last examination this Department asked the Metropolitan Life Insurance Company for the terms and conditions upon which it would alter the reinsurance agreement and issue separate policy to the members, and the said company has advised this Department that it would issue an individual policy to each member upon the payment to it of the same monthly premiums that it is now receiving from the grand lodge. It further advised that, in order to keep the premiums of the members sixty-nine years of age and over at the same rate they are now paying to the grand lodge, the Metropolitan would be obliged to receive out of the surplus fund of the order the sum of \$3,472.40. The rates upon the members under sixty-nine would remain the same as the grand lodge is now paying, which is considerably less than such members are paying to the grand lodge.

Thereafter this Department sent a letter to each member in good standing in the order, setting forth the aforesaid proposition made by the Metropolitan, and requested each member to advise whether or not he would be willing to accept an individual policy from the Metropolitan with the understanding that the grand lodge be liquidated pursuant to the Insurance Law of this State. A copy of said letter sent to said members as aforesaid is annexed hereto and made a part hereof marked "Exhibit C." Replies have been received from 235 members constituting a majority of the present total membership, of which 234 are in favor of the proposition and one is opposed thereto. Copies of

said letters in reply are hereto annexed and made a part hereof as one exhibit and marked "Exhibit D."

Since the execution of said reinsurance agreement with the Metropolitan Life Insurance Company the order has not initiated or admitted any new members. The only function the grand lodge now performs is to levy and collect assessments from the members and pay over to the Metropolitan Life Insurance Company the premium required under the reinsurance agreement.

Surrender Values:

In the last report it was pointed out that under the terms of the Metropolitan policy cash-surrender and paid-up values are allowed by the company in the event a member terminates his insurance after three full years' premiums have been paid, but that such values are not given to the members except when specifically demanded, and that out of a total of \$1,785.93 paid over to the order by the company representing surrender values, only \$95.95 had been paid to withdrawing members. In said last report it was recommended that such surrender values should thereafter be given in the form of paid-up policies to be issued by the Metropolitan. There has been no change in the method of handling these values since the last examination, and the recommendations in said last report as to this feature has been entirely ignored. The record to date is as follows:

Cash surrender values received per last report	\$1,785 93	
Cash received during year ended April 30, 1918	251 67	
Total		\$2,037 60
Payments last report	\$95 95	
Payments year ended April 30, 1918.....	105 67	201 62
Balance		\$1,835 98

Death Claims:

The matter of the deduction from paid claims of the assessments due for the balance of the policy year has been fully covered in previous reports. The same method is still in force, and no readjustments previously recommended have been made.

Trust Funds:

The order has in its possession forty-six savings bank pass books representing amounts due various beneficiaries for

unclaimed death benefits. The total amount shown by the pass books as of April 30, 1918, was \$4,786.33. This does not include any interest due January 1, 1918, and in some cases no interest has been entered on the pass books for several years.

Cemeteries:

The order owns two cemetery plots, one in Washington cemetery and the other in Mt. Zion cemetery, Maspeth, L. I. We are informed that both are free and clear of liens and debts. The former is full and the latter about one-quarter full according to information received from the grand secretary. The order's fixed cemetery expenses are approximately \$85 on the former and \$50 on the latter per annum for the care of grounds, etc. The cemetery income consists of burial permits, disinterment fees and sale of reserve graves and plots.

OFFICERS

At the last convention, held in February, 1918, the following officers were re-elected: Grand master, Julius Gumpert; grand secretary, Louis B. Franklin; grand treasurer, Theodore Katz.

The salary of the secretary was continued at \$1,500 per annum, but the grand master's salary was abolished. The grand treasurer serves without salary.

CONCLUSION

In the opinion of your examiners the order, due to inefficient management, is in such condition that its further transaction of business would be hazardous to its members, its creditors and to the public; moreover, its condition as shown above is such that it cannot meet the requirements for incorporation and authorization specified in Article VII of the Insurance Law of this State under which article said corporation is now existing and doing business. There seems to be no question but that the interest of the members of this order would be best served if an arrangement were made with the Metropolitan Life Insurance Company whereby each member would receive a whole life policy and the order liquidated. This would eliminate the expenses now borne by the members of the secretary's salary of \$1,500 a year, of the other necessary expenses under the present system and of

excessive withdrawals by counsel, and the opportunity for further waste of the funds which the present condition makes possible. The amount necessary to keep the rates of the members sixty-nine years of age and over the same as at present could be paid from the funds now in the possession of the order, and if there be any excess funds the Metropolitan has agreed to apply the same in a general reduction of premiums upon all the members pro rata. This, in our opinion, could be worked out to the great satisfaction of all concerned if you were directed by the court to conduct the business of the order pursuant to section 63 of the Insurance Law. In order to accomplish this it is urged that you apply to the Supreme Court, New York county, immediately, before the funds of the order are further diminished by wasteful withdrawals, for an order to conduct the business of the corporation under section 63.

The cemetery land owned by the order can be held by you as Superintendent of Insurance and finally as liquidator of the order for the use of the members thereof, and any lands not needed for the burial of members could be disposed of and the proceeds thereof distributed in an equitable manner as the court may direct.

INDEPENDENT ORDER OF TRUE FRIENDS

BROOKLYN, N. Y.

Examined to ascertain condition December 31, 1917.

Report dated March 13, 1918.

Examiner: J. F. Tucker.

FINANCIAL STATEMENT

Ledger Assets

Cash in banks	\$20,692 67
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Non-Ledger Assets

Assessments in hands of subordinate lodge	
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officers	\$1,973 00
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Interest due on bank deposits.....	249 48
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Total non-ledger assets.....	2,222 48
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Total admitted assets.....	\$22,915 15
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Liabilities

Death claims	\$1,650 00	
Disability claims	1,609 22	
Unpaid bills	74 48	
Total liabilities		3,333 70
Excess of assets over liabilities.....		\$19,581 45

Income and Disbursements

The income and disbursements for the year ended December 31, 1917, were as follows:

Balance, ledger assets, December 31, 1916.....	\$16,345 56
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Income

Mortuary assessments	\$8,029 00	
Disability assessments	17,853 00	
Per capita tax.....	1,998 00	
Supplies sold	146 03	
Interest on bank deposits.....	638 32	
Total income		28,664 35
Total		\$45,009 91

Disbursements

Death claims	\$6,100 00	
Permanent disability claim.....	100 00	
Sick and accident claims.....	16,180 99	
Salaries of officers and trustees.....	970 00	
Other compensation of officers and trustees....	73 50	
Traveling and other expenses of officers, trustees and committees.....	78 80	
Postage, express, telephone and telegraph.....	99 71	
Printing and stationery (lodge supplies)....	485 49	
Convention expense.....	38 45	
Legal expense.....	100 00	
Fidelity bonds.....	90 30	
Total disbursements		24,317 24
Balance, ledger assets, December 31, 1917.....		\$20,692 67

MORTUARY FUND

Assessments for mortuary purposes are made at the rate of one dollar per member whenever necessary to pay death claims. During the years 1914, 1916 and 1917 four assessments were

called each year and during 1915 only three. Each member is insured against death in the sum of \$250. A total disability benefit is also provided by the constitution as follows:

Section 31. Any member of the Order, who shall be in good standing for at least seven years, and who shall become totally incapacitated from earning his livelihood, provided it shall not be caused by any of his own acts, will be entitled to draw, with the consent of his beneficiary and the Board of Trustees, the sum of one hundred (100) dollars, on account of his benefit certificate.

Section 32. Any member desiring to draw the amount as herein provided, must make application to the lodge of which he is a member, and when the application is sanctioned by his lodge, it must be forwarded to the Board of Trustees of the supreme lodge, who shall have the right to reject or adopt the recommendations of the lodge.

Any such benefit granted is charged against the member's certificate and deducted from the amount payable at death.

BENEVOLENT FUND

For many years the order, through its subordinate lodges, has paid disability benefits to its members. The supreme lodge has always acted as a clearing house for such payments, the subordinate lodges remitting to the supreme lodge the excess collections and the supreme lodge in turn remitting to other lodges amounts needed to make up the excess of claims over assessments collected. Such funds have never been considered a part of the supreme lodge funds and have never been included in the annual statements of the order. Prior to 1913 this method might have been correct, but during said year the constitution was amended and the benevolent fund was created under Article IX as follows:

"Section 1. A fund is hereby created known as the benevolent fund of the Independent Order of True Friends.

"Section 2. This fund shall be managed by the Board of Trustees of the Independent Order of True Friends.

"Section 3. The purpose and object of this fund is for relief of its members and is solely for benevolent purposes.

"Section 4. Any member of this order desiring to participate in the benefits of this fund shall pay such a sum as shall be prescribed and assessed by the Board of Trustees for the purpose of carrying out the benevolent purposes of this fund."

Section 4 would seem to leave to the discretion of a member whether he would participate in the benevolent fund. As a matter of fact, however, all members do participate in the benefits

of the benevolent fund and contribute toward its support. As will be seen by the following statement, the assessments on account of this fund constitute the greater portion of the income of the order.

I have included the transactions of this fund in the financial statement of this report, and am of the opinion that the order should be directed to include the fund in future annual statements.

The application blank contains the following question which must be answered in the affirmative:

"52. Do you agree to participate in, and contribute to the benevolent fund created by the Order and pay all assessments issued by the Order therefor?"

New Contracts Affected by Military Service:

The application blank signed by all new members of the order contains the following provision which was added to the requirements in September, 1917:

"50. I hereby consent for myself, heirs and beneficiaries, to waive any sick benefit claims to which I may be entitled for any time during which I may belong to any military, naval or police forces, and to waive any claim for any injuries, sickness or disability which may befall me during that time and in consequence of such service."

No member may draw more than \$500 in disability benefits during his lifetime. Payments are limited to \$10 per week for thirteen weeks during any twelve months, and \$5 per week thereafter during the continuation of the disability.

In former years the order paid from the mortuary fund and charged against the certificate \$50 to a member upon the death of his wife. Such payments are now made from the benevolent fund and included in the limit of \$500 which the member is entitled to receive. Membership of at least one year's duration is required before this benefit becomes operative.

Disability benefits are not paid directly by the supreme lodge to the members. Assessments are called equally on all lodges and all members. Each lodge collects such assessments and pays the claims of its own members. At the end of a certain period which an assessment covers, the subordinate lodge sends to the supreme lodge vouchers for all claims paid during the period, and, if the proceeds of the assessment exceeds the payments, a check for the

remainder is also remitted. If the payments exceed the collections for the period, a check is sent from the supreme lodge to the subordinate lodge for an amount sufficient to make up the deficiency.

UNPAID DEATH CLAIMS

On December 31, 1917, there were seven death claims, amounting to \$1,650, due and unpaid. One of these claims was incurred in 1913, one in 1915, two in 1916 and three in 1917. Four of the claims are held up because the beneficiaries are in Germany or Austria, one beneficiary is in an insane asylum and in the two remaining cases there is some doubt as to whom the money is to be paid. The amounts due on these seven claims should be deposited in individual savings banks accounts in the name of the order, in trust for the various beneficiaries, and left to accumulate at interest until such time as legal claims can be made for the money.

MEMBERSHIP

The membership in the order is limited to "white male persons of good moral character, sound bodily health, between eighteen and forty-five years of age." The following table shows the membership and insurance in force as of December 31st for the years named:

<i>Year</i>	<i>Members</i>	<i>Insurance</i>
1911	1886	\$468,700
1912	1939	481,000
1913	1976	490,500
1914	1969	491,850
1915	1968	491,600
1916	1991	497,350
1917	2008	501,400

WORKMEN'S SICK AND DEATH BENEFIT FUND OF THE UNITED STATES OF AMERICA

NEW YORK CITY

Examined to ascertain condition December 31, 1917.

Report dated May 17, 1918.

Examiner: J. F. Tucker.

FINANCIAL STATEMENT

Ledger Assets

Book value of real estate.....	\$31,041 67	
Mortgage loans	902,400 00	
Cash in banks.....	5,529 20	
Cash in office.....	1,307 70	
Deposit with New York Edison Company....	5 00	
Cash held by branch treasurers.....	122,574 79	
Total ledger assets.....		\$1,062,858 36

Non-Ledger Assets

Interest due on mortgages.....	\$1,172 13	
Interest accrued on mortgages.....	13,757 88	
Interest due on savings bank accounts.....	97 17	
Assessments due from members and unpaid...	42,057 92	
Market value of real estate over book value..	8,458 33	
Furniture, fixtures and supplies.....	3,259 50	
Total non-ledger assets		68,802 93
Gross assets		\$1,131,661 29

Assets Not Admitted

Assessments due from members and unpaid..	\$42,057 92	
Furniture, fixtures and supplies.....	3,259 50	
Total assets not admitted.....		45,317 42
Total admitted assets.....		\$1,086,343 87

Liabilities

Death claims:		
Due and unpaid.....	\$6,841 70	
Resisted	1,000 00	
Reported, not adjusted.....	29,922 56	
Total death claims.....	\$37,764 26	
Sick and accident claims.....	6,945 07	
Accrued salaries and expenses.....	131 57	
Advance assessments	438 30	
Accrued interest on death claims due minors..	276 77	
Deposits made by lessee of real estate.....	414 00	
Accrued interest on same.....	8 28	
Local funds of dissolved branch.....	74 27	
Trust fund for John Houska.....	7 71	
Total liabilities		46,060 23
Excess of admitted assets over liabilities.....		\$1,040,283 64

Income and Disbursements

The income and disbursements for the year ended December 31, 1917, were as follows:

Balance, ledger assets, December 31, 1916.....	\$958,859 62
<i>Income</i>	
Initiation fees	\$11,059 00
Assessments	589,958 81
Fines	286 33
Interest on mortgage loans.....	39,271 11
Interest on bank deposits.....	1,245 82
Gross rents from real estate.....	2,484 00
Sale of society emblems.....	186 55
Deposits and refunds:	
Fees of mortgage committees.....	45 00
Fees of appraisers.....	35 00
Cost of local branch investigation.....	31 10
Trust fund for minor beneficiary.....	7 71
Local funds of dissolved branch.....	74 27
Other income	15 62
Total income	644,700 32
Total	\$1,603,559 94
<i>Disbursements</i>	
Death claims	\$160,437 32
Sick and accident claims.....	349,536 90
Taxes and repairs on real estate.....	910 23
Real estate appraisals.....	30 00
Mortgage expense	1,126 50
Interest paid to minor beneficiaries.....	23 95
Interest on deposit of lessee.....	21 08
Society emblems	201 30
Total expenses of management (See items under expense fund)	28,414 30
Total disbursements	540,701 58
Balance, ledger assets, December 31, 1917.....	\$1,062,858 36

FUNDS

The assets of the society are divided among four funds, viz.: Reserve, mortuary, sick and accident, and expense funds.

Initiation fees, interest from all sources and net income from real estate are credited to the reserve fund. The reserve fund

is further augmented by the transfer from the mortuary fund of all death benefits unclaimed for a period of six years.

The assessments are apportioned among the funds as follows:

	<i>Total</i>	<i>Mortuary</i>	<i>Sick and Accident</i>	<i>Expense</i>
Class 1	\$1 05	\$0 29	\$0 70	\$0 06
Class 2	80	29	45	06
Class 3	30	29	00	01

The following are the financial statements of the four funds for the year ended December 31, 1917:

Sick and Accident Fund:

Balance, December 31, 1916..... \$109,856 44

Income

Assessments \$371,229 85

Total income..... 371,229 85

Total \$481,086 29

Disbursements

Sick and accident claims..... \$349,536 90

Total disbursements..... 349,536 90

Balance, December 31, 1917..... \$131,549 39

Mortuary Fund:

Balance, December 31, 1916..... \$267,481 06

Income

Assessments \$185,652 78

Total income..... 185,652 78

Total \$453,133 84

Disbursements

Death claims \$160,437 32

Transfer to reserve fund..... 3,272 25

Total disbursements 163,709 57

Balance December 31, 1917..... \$289,424 27

Reserve Fund:

Balance December 31, 1916..... \$560,083 43

Income

Initiation fees	\$11,059 00	
Interest on mortgage loans.....	39,271 11	
Interest on bank deposits	1,245 82	
Total income		51,575 93
Transfer from mortuary fund.....		3,272 25
Transfer from expense fund.....		1,553 11
Balance December 31, 1917.....		\$616,484 72

Expense Fund:

Balance December 31, 1916.....	\$21,438 69
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Income

Assessments	\$33,076 18	
Fines	286 33	
Gross rents from real estate.....	2,484 00	
Sale of society emblems.....	186 55	
Deposits and refunds.....	193 08	
Other income	15 62	
Total income		36,241 76
Total		\$57,680 45

Disbursements

Total expenses of management.....	\$28,414 30	
Taxes and repairs on real estate.....	930 23	
Interest paid on deposit of real estate lessee..	21 08	
Appraiser's fees.....	30 00	
Interest paid to minor beneficiaries.....	23 95	
Funds held for mortgagor.....	1,106 50	
Society emblems	201 30	
Total disbursements.....	\$30,727 36	
Transfer to reserve fund.....	1,553 11	
		32,280 47
Balance December 31, 1917.....		\$25,399 98

Total Fund Balances December 31, 1917

Sick and accident fund	\$131,549 39
Mortuary fund	289,424 27
Reserve fund	616,484 72
Expense fund	25,399 98
Total ledger assets	\$1,062,858 36

*Assets**Real Estate:*

In August, 1914, the society was obliged to foreclose a mortgage which it held on a five story brick apartment house situated at 841 Beck street, borough of Bronx, New York city. The face of the mortgage was \$28,000, and the accrued interest, taxes and expenses of foreclosure amounted to \$3,041.67, making the total lien \$31,041.67. The property was bid in by the society at this figure, which is the present book value of the property.

In March, 1916, the building was leased for a period of three years at an annual gross rental of \$2,484. In order to guarantee the payment of the rent the lessee has made a cash deposit of \$414, representing two months' rental. The society allows him interest on the deposit at 4 per cent. Both the deposit and the accrued interest thereon appear as liabilities in the foregoing financial statement.

In July, 1914, the value of this property was fixed by an appraiser representing this Department at \$36,000, and the society has since been taking credit thereon for this amount. It seemed advisable, however, to have an appraisal made at the present time, and this being done, the appraiser has fixed the value thereof at \$39,500. The difference between the book and the market value has, therefore, been allowed as a non-ledger asset.

Mortgage Loans:

The mortgage loans were verified by an examination of the usual mortgage papers on file in the office of the society. Titles to all the parcels upon which loans have been made are insured by recognized title insurance companies, and ample fire insurance on the buildings to cover the loans has been provided for. No loans made since this Department's last examination are for more than two-thirds of the society's appraised values. The property securing all other loans was appraised in 1914 by this Department and reductions recommended at that time either have been made or are in process of adjustment, with the exception of Mortgage No. 39, under which a \$30,000 loan was made on property appraised at \$43,000. This loan has not yet matured.

All of the loans are at 5 and $5\frac{1}{2}$ per cent interest, excepting Mortgage No. 4, which carries interest at 6 per cent. On December 31, 1917, the total amount of loans on mortgages outstanding was \$902,400, with interest accrued on same amounting to \$13,757.88. Interest on four loans, amounting to \$1,172.13 was past due. The society has since December 31, 1917, taken title to the property covered by one of these loans.

Cash:

The cash in savings banks was verified by the pass books in the possession of the society, and the deposits in commercial banks by certificates obtained from the banks, reconciled with the records of the society. The society took credit on December 31, 1917, as cash in bank for a deposit made on January 2, 1918. The amount thereof, \$1,168.50, has been included, in the foregoing financial statement, as cash in office.

Deposit With New York Edison Company:

This deposit is for the purpose of securing the payments of the society's bills for illumination. The society holds a receipt from the above company which specifies that, at the termination of the contract, the amount will be returned with interest at 6 per cent.

Cash Held by Branch Treasurer:

Each branch is permitted to keep in its possession funds equal to one dollar for each member which it may have in classes one and two. Quarterly statements are made by the branches showing the amount of cash on hand and the number of members. If the number of dollars exceeds the number of members, the excess is remitted to the national executive board. On the other hand, if the number of members exceeds the number of dollars, the balance is remitted to the branch. This is called by the society "Equalization."

On December 31, 1917, there was in the possession of branch treasurers, according to reports submitted by them, the sum of \$122,574.79. The amount was verified only by means of such reports on file. As a result of the subsequent equalization on account of said reports certain branches sent to the national

executive board \$77,567.08, and the board, in turn, sent to other branches \$610.75.

Under a ruling by this Department, as stated in previous reports on examinations of this society, the cash in hands of branch treasurers is an admitted asset and has been so treated in the foregoing financial statement.

Other Assets:

Assessments due and unpaid by members, and furniture, fixtures and supplies have been deducted as assets not admitted.

Unpaid Death Claims

The unpaid death claims were taken from the death claim register and checked with the liability set up by the society as of December 31, 1917. Additions to the society's total were made on account of one claim subsequently reported and also on account of a minor claim which was charged off as of December 31st but which should have remained on the books as a liability. The total added, however, was only \$300.

The claim papers in many instances are in German and in such cases the cause of delayed payments cannot be stated. Those which are in English would indicate that the beneficiaries either have failed to make claim or have not submitted sufficient proof of the society's legal liability.

A number of the claims were unpaid because the beneficiaries are resident in Europe. Claims due alien enemies were turned over to A. Mitchell Palmer, Alien Property Custodian, early in 1918.

Claims so turned over which were held as liabilities on December 31, 1917, amounted to \$10,337.35.

Claims due minors are held by the society, and interest is allowed on the unpaid balances. In writing to a claimant in one of these cases the society stated: "The rate of interest to be paid will be the lowest savings bank rate which we receive on deposits made by the society in any of the New York savings banks."

The rate usually allowed appears to be $3\frac{1}{2}$ per cent, compounded semi-annually. If unpaid balances were deposited in

individual savings bank accounts in the name of the society in trust for the respective beneficiaries, there should be no difficulty in obtaining a uniform rate of 4 per cent, the society's records would also be relieved of many old claims and there would be no minor's claims charged off the records as was done, in the case referred to, in 1917.

Death Claims Charged Off

The constitution provided that, when the body of a deceased member is not taken care of by a relative or friend, the society, or a branch thereof, may pay the funeral expenses, not to exceed \$100, and deduct the same from the death benefit when paid. If the balance due is not called for by a person legally entitled to the same for a period of six years after the death of the member, said balance is transferred to the reserve fund of the society. Such transfer eliminates all liability in so far as the records of the society are concerned. Should a legal claimant appear thereafter, however, the case may be reopened and payment made.

During the year 1917 sixteen claims, amounting to \$3,272.25, were so transferred. Among them was one claim for \$50 due a minor beneficiary who, according to the records, will become of age in 1919. This claim should not have been transferred. In a previous report on the examination of this society, dated June 30, 1914, it was recommended that the transfer of funds due minors should cease. The treatment of this case may have been an oversight upon the part of the management.

Sick and Accident Claims

Claims for sick and accident benefits are paid by the local branches. Special visiting committees look after those members reported sick in the respective branches. Certificates of branch physicians are required and the payment of sick benefits dates from the day upon which the medical certificate is filed with the financial secretary of the branch. Benefits are paid weekly during the period of incapacity.

MANAGEMENT

The management of the society is vested in a board of nine directors called the national executive committee. There are also

a control committee of nine members, a board of arbitration consisting of five members and a board of supervision of the official publication, "Solidarity," consisting of nine members.

The constitution provides that neither the national executive board nor the control committee shall have the right to appropriate funds for purposes other than those of the society.

The last annual convention was held in May, 1915, at which time the laws were amended to provide for a convention every four years instead of annually. This change is in the interest of economy as the cost of the last convention was nearly \$17,000.

ORGANIZATION AND MEMBERSHIP

This society commenced business in 1884 and was incorporated under the provisions of Article VII of the Insurance Law on February 13, 1899. Working men between the ages of sixteen and forty-five years and of good moral character are eligible to membership. Women may also be admitted and carry life insurance, but they are not permitted to draw sick benefits.

All applicants must pay admission fees as follows:

Ages 16-20.....	\$3 00
Ages 20-30	4 00
Ages 30-40	5 00
Ages 40-45	7 00

Assessments are as follows:

Members of the first class.....	\$1 05
Members of the second class.....	80
Members of the third class.....	30

The number of assessments is fixed by the national executive board according to the number of deaths and cases of sickness. One assessment each month has been found sufficient.

Members of Class 1 may receive sick benefits of \$9 per week for forty weeks and \$4.50 per week for forty weeks thereafter. Members of Class 2 may receive sick benefits of \$6 per week for forty weeks and \$3 per week for forty weeks thereafter. No member may draw more than eighty weeks' benefit in any case. Members of Class 3 are not entitled to sick benefits. The death benefit in each class is \$250.

The society has 347 branches and is authorized to transact business in eight States, viz.: New York, New Jersey, Pennsyl-

vania, Massachusetts, Rhode Island, Connecticut, Illinois and California.

The membership as of December 31, 1917, was approximately as follows:

Class 1 (men)	44,080
Class 2 (men)	738
Class 3 (men)	451
Class 3 (women)	8,505

Total	53,774
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The amount of insurance in force was \$13,443,500.

OFFICIAL PUBLICATION

“Solidarity,” the official organ of the society, is published monthly, being printed in both the German and the English language. The cost of publication during the year 1917 was as follows:

Salary of editor	\$600 00
Printing and paper	8,894 30
Addressing	1,122 94
Mailing	576 11
Postage	1,209 74
Total	<u>\$12,403 09</u>

The expenses of publication are paid from the expense fund and each male member of the society is entitled to receive a copy without charge.

OFFICERS

The following are the present officers of the society: President, Paul Flaschel; secretary, William Meyer; treasurer, Stephen Bacher.

The salary of the secretary is \$24 per week and that of the treasurer \$22. The secretary and the treasurer are each under bond for \$5,000.

MISCELLANEOUS SPECIAL REPORTS

NATIONAL WORKMEN'S COMPENSATION SERVICE
BUREAU

NEW YORK CITY

*Examined as to organization and methods covering period from
March 31, 1913, to July 31, 1917.*

Report dated August 15, 1917.

Examiner: Marcy Feder.

HISTORY

The practice of liability insurance in this country covers a period of about thirty years. During the first ten years the companies writing this class of business were embarked on a course of reckless competition which resulted in the destruction of a number of them. Then followed a decade of co-operation which began with the formation of the Liability Conference in 1896, an association of seven companies formed to organize a Bureau of Liability Statistics, to adopt uniform manual rates and standard policy forms. In 1904, as a result of the inability of conference members to bring their competitors into the association and the unrestricted competition that followed, the agreement to maintain rates was abandoned, and the conference confined its activities to gathering liability statistics for the information of underwriters.

During the next few years, a strong sentiment arose in favor of the compensation principle of paying for industrial accidents, as opposed to the doctrine of negligence, and in 1910 a Workmen's Compensation Law was enacted by New York State. In response to the growing importance of compensation, an organization was formed in December, 1910, by the representatives of nineteen liability companies, which was named the "Workmen's Compensation Service and Information Bureau." The purpose of this bureau was to classify compensation and liability risks, regulate commissions and construct a standard manual. A constitution was adopted and an organization perfected.

In May, 1911, there was merged with this bureau the old Bureau of Liability Insurance Statistics, which had been organized by the former Liability Conference, and in March, 1913, the con-

stitution was amended and the name of the bureau changed to the "Workmen's Compensation Service Bureau."

The last five years have seen the extension of the compensation principle throughout the country and the practical elimination of employers' liability insurance as a dominating insurance factor.

ORGANIZATION, OBJECTS AND MEMBERSHIP

The National Workmen's Compensation Service Bureau is an unincorporated association of twenty casualty insurance companies, organized to establish and maintain rates for compensation and liability insurance, compile experience statistics, supervise underwriting practices and regulate commissions throughout the country. Membership is open to companies engaged in liability or workmen's compensation insurance which are duly authorized to transact such business in any state in the United States. During the last four years, various changes have occurred in the membership of the bureau. Seven companies withdrew and four companies entered during this period. The membership, at present, consists of the following companies:

Ætna Life Insurance Company.....	Hartford, Conn.
*Continental Casualty Company	Chicago, Ill.
Employers' Liability Assurance Corporation.....	Boston, Mass.
Fidelity and Casualty Company.....	New York City
†Fidelity and Deposit Company.....	Baltimore, Md.
Frankfort General Insurance Company.....	New York City
Globe Indemnity Company.....	New York City
*Hartford Accident and Indemnity Company.....	Hartford, Conn.
London Guarantee and Accident Company.....	Chicago, Ill.
*London and Lancashire Indemnity Company.....	New York City
Maryland Casualty Company.....	Baltimore, Md.
†Massachusetts Bonding and Insurance Company.....	Boston, Mass.
New Amsterdam Casualty Company.....	New York City
Ocean Accident and Guarantee Corporation.....	New York City
Royal Indemnity Company.....	New York City
Standard Accident Insurance Company.....	Detroit, Mich.
Travelers Insurance Company	Hartford, Conn.
United States Casualty Company.....	New York City
U. S. Fidelity and Guaranty Company.....	Baltimore, Md.
*Zurich General Accident and Liability Insurance Company..	Chicago, Ill.

* Entered the Bureau in the last four years.

† These companies have handed in their resignation on account of discontinuing the writing of compensation and employers' liability business.

Upon becoming members, the companies pledge themselves to observe all bureau rules and regulations, to live up to the rates and observe the bureau requirements as to the payment of commissions.

The objects of the bureau are set forth in the amended constitution of March 1, 1916, as follows:

1. To gather information and statistics concerning the number, causes and cost of industrial accidents.

2. To aid in preparation of plans for suitably insuring the compensation of work people who are injured while engaged in industrial occupations.

3. To promote the interests of companies which issue workmen's compensation or liability insurance policies, including collision and property damage insurance on vehicles, and provide ways and means for rendering service to the public as well as employers and employees under compensation laws and plans.

4. To provide facilities for proper inspection of industrial risks so as to minimize occupational accidents; to provide competent inspectors of compensation and liability risks; to prepare, test and publish schedules for the modification of manual rates according to merits and demerits of individual risks, which schedules shall have regard for the physical and moral conditions of such risks, use and efficiency of safety appliances, the care exercised in the conduct or management of the business or work, the history of the risk in respect to casualties and other conditions—physical or otherwise—under which the business or work of the given establishment is conducted.

5. To secure to employers of labor equitable rates of insurance properly reflecting the history of the risk in respect to casualties and efforts made to reduce number of accidents and eliminate danger of personal injury to workmen.

6. To assist such members as so desire in the formation of reinsurance agreements among themselves.

7. To assist in affording to the public an intelligent understanding of the theory and practice of workmen's compensation, the advantage attaching thereto, the cost thereof and the best means for securing the payment of these benefits to injured employees and those dependent upon them, in full compliance with the workmen's compensation laws.

8. Generally to afford to members, to legislators, to State officials, to employers, to employees and to legitimate inquirers, any and all information which may assist in forming a sound basis for public opinion upon the complicated questions arising under laws providing compensation for industrial accidents.

The organization of the bureau comprises a "Central Bureau" with offices in New York, which is the governing organization, a number of rating offices and a number of branch bureaus supervising certain local territory, with charter powers specifically delegated to them by the Central Bureau.

The work of the bureau is directed by the following officers:

A. W. Whitney.....	General Manager
E. W. Miller.....	Secretary-Treasurer
M. E. Jewett.....	Assistant Secretary-Treasurer
G. F. Michelbacher.....	Actuary

LOCAL BOARDS

In order to promote uniform practices among agents and brokers and to regulate commissions, the bureau provides for the licensing of local boards or underwriters associations to be organized by field representatives of bureau companies by agreement among themselves. Powers are delegated by the bureau. These boards may adopt their own constitution and elect their own officers and committees, one of which must be a grievance committee to settle local disputes. These boards are organized in such places where there are no branch bureaus, as hereinafter explained, and are superseded by branch bureaus when such are installed. The local board for New York City is the Casualty Insurance Exchange of New York, which handles local underwriting problems, checks applications and decides local disputes.

REORGANIZATION OF THE BUREAU

In its efforts to regulate the liability and compensation business, the bureau had tried for a number of years to control from the New York office, not only general principles but the application of principles to actual cases in the field where the difficult problems of the business really originate. In the latter work, it had the help of its local association of agents and underwriters whose efforts, however, were ineffective through lack of power. As additional compensation laws were passed, there came the cumulative pressure of many local problems arising therefrom. The difficulty experienced in attempting to handle these from the New York office, and the movement on the part of certain states to organize independent state rating bureaus (like New York and Massachusetts), together with the growing dissension among the company members themselves, led to a thorough overhauling of the bureau in the early part of 1916. This reorganization was designed to accomplish two purposes: One, to make the bureau

sufficiently elastic to meet local conditions effectively (a process which resulted in the establishment of the branch bureau system); second, to find a more effective means of cooperation among its members (a process resulting in the creation of a Board of Referees with much greater disciplinary powers).

Branch Bureaus:

The branch bureaus are associations of the local representatives of companies, headed by a salaried manager and exercising their powers by virtue of a charter granted by the national bureau. In creating these branch bureaus, the national bureau has reserved to itself all general functions which need be exercised only once, such as the determination of rules or rates, and which, according to the manager, should be done only once, if efficiency and uniformity are to be obtained. It has transferred all administrative functions involved in the application of such principles and rates to the branch bureau, retaining only a general supervision thereof.

The branch bureau has control over the proper classification of individual risks, the determination of sub-commissions, the hearing of local complaints, the inspection of risks for rate-making purposes and the operation of the stamping office in its territory. The executive head of the branch bureau is a representative of the national bureau and at the same time manager of the local rating office. Representation is by companies and is mandatory upon all company members of the national bureau.

The branch bureaus have been extended to most of the states where there are rating offices, and by March, 1917, were in operation in Kentucky, Michigan, Rhode Island, Louisiana, Oklahoma, Missouri, Illinois, Minnesota, Colorado and Indiana. Although general conclusions may be premature on account of the short time they have been operating, it can be stated that their effectiveness depends considerably upon the degree of cooperation on the part of the home offices of company members and of state insurance officials. Where, as in Maryland, Oklahoma, Kentucky, etc., the insurance authorities have made the bureau office the official rating office of the state, the control of rates and underwriting practices has been effective, since all insurance carriers are compelled to adhere to such rates. But where this cooperation is lacking, and

where the home offices fail to support the branch bureau, or actually countenance violations of rating rules, little improvement has been made. It can be stated, however, that greater elasticity of operation has been obtained, and that a safety valve has been provided which can take care of local disturbances which otherwise might spread and threaten the existence of the bureau.

Branch bureau membership is open to any company not a member of the central bureau, upon proper application in any state, or number of states. Here again, local disturbances are eliminated to a certain extent by permitting some companies which do not desire full membership to cooperate with the bureau in certain states only.

Board of Referees:

The bureau has no legal authority to compel its members to adhere to its rates or rules. Whatever power it possesses flows from the consciousness on the part of its members that their interests are best conserved by collective action. To give the bureau more power than that arising merely from a gentlemen's agreement, the reorganization provided for a so-called Board of Referees consisting of three individuals elected from among company representatives. This board acts as a kind of court to hear and decide original complaints made by company members, or appeals from a branch bureau or local board. It has the power to order a search of any books or records of a defendant company to be made by the general manager and to give such publicity to its findings as may best serve to correct the violation of rules which may be the subject of complaint.

In addition, the referees have power in all cases in which individual risks have been taken from one company by another under circumstances involving violation of the rules to order proper restitution of the risk. When it desires to expel a member, it must submit the question to a full bureau meeting.

STAMPING OFFICES

In the application of the manual to specific cases, there are considerable chances of error — intentional or otherwise — particularly under competitive conditions, or when there is a lack of

expert knowledge on the part of agents in the field. The misclassification of a risk, or the application of a wrong rate, is frequently used by agents in unfair competition for business. Consequently, the bureau has established a number of so-called stamping offices in branch bureaus that are suitably equipped therefor. Every application for insurance is examined and checked as to classification, rate, and, as far as possible, as to proper practice. These stamping offices are now in operation in eleven states.

RATING PROCEDURE

In exercising its control over rates, the bureau has established, in general, the following procedure: Applications for all new risks must be submitted by the company member to the stamping office, if there is one, or the proper rating office within a certain time for checking as to classification and rate. If a physical inspection of the risk is required, the rating office makes this inspection and figures the proper rate, which is thereupon promulgated and published to the members as the bureau rate for the risk. No member is permitted to quote a lower rate for the business. Schedule rated risks must be submitted to the rating office even if such office has no stamping office.

If the risk is a renewal, the carrying company makes the inspection itself. If the renewal is a schedule rated risk, the company submits to the rating office the results of this inspection, together with a copy of the application and its method in figuring the rate. This is all checked by the rating office, and if approved, the rate is promulgated as explained above. If a non-carrying company wants to know whether a reduced rate on a risk is proposed, it can get the facts from the rating office. Furthermore, it can obtain the renewal requirements of the risk from the carrying company within a certain time of the renewal date. If the carrying company refuses such information, the inquiring member can treat the risk as if it were a new risk, and have it inspected and rated independently of the carrying company. This rate would thereupon become the official bureau rate for the risk.

Disputes in the rating or classification of risks may be submitted to the New York office for determination. In short, the whole procedure is designed to prevent the independent rating of risks on the part of company members. All rates must be approved

by the branch bureau or central bureau, and when so approved, must be accepted as the official rate. All information regarding a risk given by one company member to another is expected to be held in strictest confidence.

A violation of these rating rules will usually result in loss of business or disadvantage to a competing member. Upon complaint of the latter, the branch bureau may determine the facts in the case, and the Board of Referees may order proper restitution. As has been stated, appeals from these decisions may be carried by either party to the Board of Referees of the national bureau for final decision.

COMMISSION AND AGENCY RULES

The elimination of rates as a basis of competition simply diverts competition into the channel of acquisition cost, unless the latter is also regulated. This the bureau attempts to do by establishing maximum commissions, limiting the number of agencies and standardizing business producers. Such producers are classified and defined as follows:

A. *Special Agent*: A solicitor located in the home office, branch office or general agency of his company, under exclusive written contract, and paid either by salary or proper commission — not by both.

B. *Local Agent*: A representative under specific written contract compensated only by commission and located in the city or town in which he is appointed.

C. *Broker*: A duly licensed solicitor not included in the above classes.

In addition, general agencies are limited to representatives actually under contracts as such, or as managers of branch offices. Only one such general agency is permitted in any one city or town and a maximum number fixed for each state unless specifically provided otherwise.

The acquisition cost, or the maximum cost of producing business, is established as follows:

A. Workmen's Compensation and Employers' Liability in compensation states	17½%
B. Employers' Liability and Workmen's Collective in non-compensation states	20%
C. All other liability in the jurisdiction of the Bureau, including collision and property damage.....	25%

Commissions payable to producers are fixed in accordance with the following schedule:

COMPENSATION STATES			NON-COMPENSATION STATES	
Compensation, Employers' Liability and Workmen's Collective	Liability	All other liability lines	Employers' Liability and Workmen's Collective	
Cities over 75000	All other places	All places	Cities over 75000	All other places
Special and local agents 12½%	Special and local agents 10%	Special and local agents 17½%	Special and local agents 15%	Special and local agents 12½%
Brokers 10%	Brokers 7½%	Brokers 15%	Brokers 12½%	Brokers 10%

Automobile Department:

A new department of the bureau was created in the recent reorganization to handle automobile insurance. This department cooperates with the National Automobile Underwriters Conference (the fire insurance companies' organization) by means of a joint committee. It has jurisdiction over all matters involved in the rating of automobile risks, and in the application of the underwriting rules governing this class of business.

ANTI-TRUST LAWS — UNIVERSAL INSPECTION CO.

In a number of states which expressly prohibit combinations in respect to insurance rates, the bureau furnished its service in an advisory way to subscribing companies who were free to adopt or reject the recommendations of the bureau. These states are as follows: Alabama, Arkansas, Georgia, Indiana, Iowa, Mississippi, Nebraska, New Jersey, South Carolina.

The legal committee of the bureau has held that any agreement on rates in an anti-trust state is illegal. The rates in such states could not be mandatory. Nor could the Board of Referees investigate or adjust complaints as to rates in these states.

At the instance of the then attorney-general of Iowa who desired bureau service in that state, a corporation known as the Universal Inspection Company was formed with a capital stock of \$300. The manager, actuary and chief inspector of the bureau were the three incorporators, each of whom held one-third of the stock. The service given through this corporation was subsequently extended to the states of Louisiana, Nebraska and New Jersey. Although nominally and legally distinct from the bureau its service was bureau service except that it was not mandatory.

In Indiana there is a peculiarity in the corporation laws, there being no provision for a corporation engaged in the business of rating, to be entered in the state. After consultation with the attorney-general of the state, an office was opened in the name of the chief engineer of the bureau as an individual for the purpose of making inspections and furnishing advisory rates. This service was virtually the regular bureau service.

After several years of operation, it was seen that the effort to keep these organizations distinct from the bureau was futile and amounted only to a piece of indirection and evasion. The matter was put up to the legal committee, and in November, 1916, it was decided that the bureau service should be furnished directly through the medium of a rating office instead of through the Universal Inspection Company, and through the chief engineer, provided the rates were not made mandatory.

EXTENT OF BUREAU CONTROL IN VARIOUS STATES

The extent of bureau jurisdiction varies in different states. It ranges from states like Ohio and Oregon, where the bureau is not permitted to operate because of monopolistic state funds to states like Kentucky and Maryland where the Bureau office is the official rating office of the state. Following are groups of states, classified as to degree of bureau jurisdiction, as of time of writing:

1. States in which bureau has complete jurisdiction:

Colorado*	Illinois	Rhode Island
Montana	Kentucky*	Connecticut
Utah*	Michigan	Maryland*
Maine*	Vermont	New Mexico
Texas†	Oklahoma*	South Dakota
Missouri	Minnesota	Louisiana

2. Compensation states having independent compensation rating boards, the bureau having jurisdiction over liability rates only:

California	New York	Massachusetts
Wisconsin	Pennsylvania	New Jersey

* In these states some form of regulation and supervision of rates is vested in the state authorities.

† Texas is an anti-compact state, but the Branch Bureau is official adviser to the Insurance Commissioner.

3. States in which bureau does not operate because of the existence of monopolistic state compensation funds:

Washington	Oregon	Nevada
Wyoming	West Virginia	Ohio

4. States in which bureau rates are furnished as *advisory*, no obligation being imposed upon companies to maintain rates:

Alabama	Nebraska	Indiana
Georgia	Arkansas	Mississippi
Iowa	New Hampshire	South Carolina

5. States in which bureau exercises no jurisdiction, except furnishing manuals:

Arizona	Delaware	Virginia
Idaho	Tennessee	District of Columbia
North Dakota	Florida	
Kansas	North Carolina	

COMPENSATION RATES

The introduction of the principle of workmen's compensation, and the enactment of compensation laws in most of the states, have completely changed the problem of rate-making for liability companies in the last four years. In the early days of compensation, no experience existed for fixing rates. The companies had some employers' liability and workmen's collective experience which, with a certain amount of European experience and a large element of underwriting judgment, formed the basis of the first manual—that of New Jersey in 1911.

In the past, the bureau constructed a separate manual for each state. But this was found cumbersome, inconsistent and unsatisfactory, and the theory of the *basic* manual was evolved. This theory holds that there is a fundamental relationship between like risks, in their capacity to produce accidents, regardless of territorial divisions of the country; that a knitting mill in New York, for example, has the same accident-producing possibilities as a similar mill in Massachusetts.

Accordingly, in the spring of 1914, a system of basic pure premiums was established covering about seven hundred millions of payroll and made up of Massachusetts, Illinois and New Jersey experience supplemented by underwriting judgment.

A differential committee was then appointed to find the relative cost of the compensation laws in the various states. There was no

experience available to obtain this. Consequently, a table of *accident frequencies* was worked up. This table is said to be based upon all the American and European industrial accident experience available at the time. From this experience, the accidents were analyzed as to the number which had resulted in deaths, in permanent disability, and in temporary disability of various periods of duration. The permanent disabilities were also analyzed as to the number which had resulted in the loss of an arm, loss of a leg, and so on through the list of dismemberments.

The committee then figured the cost to compensate an assumed 100,000 accidents, as classified above, *under the compensation law of each state*. The cost under the Massachusetts law was taken as the base, or unity, and this was compared with the cost under each of the other laws. A *differential* or factor of relative cost was thus obtained for each state. For example, the cost under the Michigan law was obtained, and divided by the cost under the Massachusetts law and the resulting fraction was taken as the differential for Michigan. If the result was 166, it meant that the Michigan law was 66 per cent. more expensive than the old Massachusetts law.

With the system of basic pure premiums representing the fundamental relationship of hazard between the manual classifications and the system of law differentials to represent the relative cost of the compensation laws of the several compensation states, the basic manual theory was carried into actual practice. In 1914 manual rates for the compensation states were, therefore, obtained by projecting the basic pure premiums by means of State multipliers computed in accordance with a formula which involved the use of the following factors:

- (1) Law differential.
- (2) A loading for catastrophe hazard and the under-estimate of outstanding losses.
- (3) A loading for management expenses, taxes and profit.

The law differential, of course, varied by states in accordance with the provisions of the several workmen's compensation laws. The other two factors, however, were in general constant for all states — New York being an exception. In addition to these factors, a factor known as an "Accident Frequency" factor was

employed in the the projection of basic pure premiums for certain states where there was thought to be an accident frequency greater than the accident frequency represented by the basic pure premiums.

The 1914 multiplier for Illinois may be taken as an example of the general procedure followed in the determination of the first multipliers used with the basic manual.

The factors of the 1914 Illinois multiplier were as follows:

(1) Law differential	1.37
(2) Catastrophe hazard and under-estimate of outstanding losses....	1.08
(3) Accident frequency	1.04
(4) Loading for management expenses and taxes.....	.40

These factors were combined by means of the following formula:

$$\frac{(1.37) \times (1.08) \times (1.04)}{1 - .40} = 2.55$$

Assuming a basic pure premium for a given classification of \$1.00, the corresponding Illinois rate was \$2.55. This rate was obtained by multiplying the basic pure premium of \$1.00 by the Illinois multiplier of 2.55. Similarly the Illinois rate corresponding to a basic pure premium of \$.50 was \$1.28.

This plan, of course, was theoretical and was designed to include the whole country in one rating scheme. As a matter of practice individual consideration had to be given to several industries in every state because of differing natural conditions. The mining of certain minerals in Michigan, for example, may be entirely different from the mining of the same minerals in Colorado because of the presence or absence of mountains, canyons and the like. In such cases the fundamental relativity of hazard assumed in the basic pure premium does not always produce a proper state rate when projected by the application of the state multiplier. Where this is true the rate indicated by the multiplier of the particular state was either increased or decreased as conditions demanded.

1915 REVISION OF BASIC MANUAL

A little experience with the basic manual soon showed that improvements were necessary. The payroll exposure upon which it was based, has been rather limited and the experience frag-

mentary in many classifications. Moreover, the manual had been put together by stock companies, exclusively, who had thus ignored much valuable experience compiled by mutual companies and state funds. Consequently, in September of 1915, committees from the newly-formed Massachusetts Rating Board, the New York Compensation Inspection Rating Board and the Bureau itself met to revise the basic manual. Various state insurance commissions, and state funds were also represented at the conference.

The experience used in this revision comprised the Massachusetts, the Illinois, the New Jersey, the Michigan and some of the Wisconsin experience. It was all worked back to the Massachusetts old-law basis, and combined. (Just as the Massachusetts basic pure premiums were extended to the various states by differentials, as before explained, so, by working it backwards, the experience of the different states was brought back to the Massachusetts basis.) The new basic manual was constructed from this combined experience which comprised about a billion and a half of payroll exposure. It was a broader and more seasoned experience and enabled the committees to eliminate underwriting judgment, to a considerable extent. The general rate level thus established, was lower than that of the old basic manual.

The contributions of the 1915 conference to the development of workmen's compensation rate-making may be enumerated as follows:

The conference adopted the general theory of the basic manual and reaffirmed the differential methods which had been employed in 1914 by the Workmen's Compensation Service Bureau. As regards the calculation of the multiplier and the determination of differential factors, the conference made some decided changes.

The catastrophe loading was segregated and a new plan of applying it was designed. It was provided that the catastrophe loading should be \$.01 for each \$100 of payroll exposure in all states except New York where the loading was \$.02. The loading for the underestimate of outstanding losses was eliminated. No factor was suggested to provide for this element. The uniform loading for management expenses and taxes was carefully investigated. An analysis of this loading was made upon the basis of statements filed by the cooperating carriers. In addition a rough

graduation of the loading was accomplished by providing that a part of the loading should vary with the law differential. In this way loading factors ranging from 35 per cent. to 42½ per cent. were recommended for the several compensation states, in accordance with the following scale:

<i>For States having a law differential of</i>	<i>Percentage loadings</i>
less than 1.25.	42½%
1.25 to 1.49.	40%
1.50 to 1.74.	37½%
1.75 and over.	35%

A new feature proposed by the conference was a factor to provide for the compensation of occupational diseases. Provision was made for an addition to the cost of industrial injuries of two per cent. to take care of this burden. One per cent. of this amount was to be distributed over all classifications. The other one per cent. was to be distributed over certain classifications presenting an exceptional degree of occupational disease hazard.

The state rates in 1915 were determined as in 1914 by projecting the basic pure premiums by means of state multipliers. Because of the changes which had been made in the calculation of multipliers, the formula was not exactly the same, however. As an example of the 1915 multiplier, Illinois may again be taken. This will permit a comparison between the Illinois multipliers for 1914 and 1915 and will point out the differences in the factors for these two years.

The 1915 multiplier for Illinois was 2.59 plus .01. It was obtained by combining the following factors:

(1) Law differential	1.37
(2) Accident frequency	1.01
(3) Increasing cost	1.125
(4) Loading for management expenses and taxes.	.40
(5) Catastrophe loading	.01 flat

These factors were combined by means of the following formula:

$$\frac{(1.37) \times (1.01) \times (1.125)}{1 - .40} + .01 = 2.59 \text{ plus } .01$$

Assuming a basic pure premium of \$1.00, the corresponding Illinois rate would be \$2.60, obtained by multiplying the basic pure premium by the Illinois multiplier of 2.59 and adding .01

to the result. Similarly the Illinois state rate corresponding to a basic pure premium of \$.50 would be \$1.31.

The basic pure premiums of the 1915 conference and the derived rates, inasmuch as they were based upon an experience representing an exposure of considerable magnitude, were superior to those which had been used theretofore. They represented a closer approximation to the actual hazard value of the individual classifications.

This conference was the first movement toward the cooperation of competing insurance carriers in the making of compensation rates and the basic manual here evolved was ultimately introduced into all compensation states. In New York, it went into effect June 30, 1916.

In order that the uniformity thus obtained should not be destroyed by independent action on the part of various state boards or associations of companies, a standing committee was appointed, consisting of three stock companies, two mutuals and one state fund with the New York Insurance Department as chairman, to pass upon all suggested changes in the basic manual.

1917 REVISION

By the end of 1916, it was generally realized by all compensation carriers, that a wide-spread upward revision of rates was necessary. A circular issued by the New York Insurance Department provided the first public statement to this effect. Accordingly, the standing committee mentioned above was augmented by the addition of two stock companies selected by the national bureau and two mutual companies selected by the Federation of Mutual Casualty Companies. This augmented committee, received the approval of the Insurance Departments of New York, Pennsylvania and Massachusetts, representatives of which participated in the revision. The New York department acted as chairman and the national bureau as secretary.

The work of revision included four important features, as follows:

1. The determination of new basic pure premiums.
2. The determination of new differential factors or multipliers for each state.
3. The establishment of manual classifications.
4. The establishment of rules to regulate underwriting practices.

The combined experience available represented a total payroll expenditure of \$4,300,000,000; and the industries covered by this payroll, were divided into 1385 classifications. Policy issues up to the year 1914 (maturing to December, 1915) were used. More accurate basic pure premiums, comprising the experience of eleven compensation states, were established for a great number of classifications.

Differentials and loadings were established, covering the following elements or factors:

1. Law differentials.
2. Factor for under-estimate of outstanding losses.
3. Factor for increasing claim cost.
4. Factor for presence of occupational diseases.
5. Variation due to merit rating, i. e., schedule rating and experience rating.
6. Loading for management expenses.
7. Loading for profit.
8. Loading for catastrophe hazard.

All these factors were combined into a so-called "chain multiplier" for each state. A brief explanation of each factor follows:

1. Law Differentials:

As before explained, this differential represents the factor of difference in the cost of compensating accidents under the particular state law in question, as compared with the basic Massachusetts act. The method used in computing these differentials was similar to that in the earlier work. The Standard Accident Table was again used as a basis for measuring the benefits of the acts, although modified by actual experience.

The law differentials were computed with the laws of the several states as they stood January 1, 1917, as follows:

<i>State</i>	<i>Law differential</i>
Massachusetts (original act)	1.00
California.	1.66
Wisconsin.	1.60
Michigan.	1.04
Minnesota.	1.25
Illinois.	1.37
Iowa.	1.12
Nebraska.	1.19
Indiana.	1.13

<i>State</i>	<i>Law differential</i>
Colorado.	.985
Montana.	1.01
Ohio.	1.70
New Jersey	.97
Rhode Island	1.01
Kentucky.	1.44
Vermont.	.87
Connecticut.	1.28
Maryland.	1.33
Maine.	1.02
Pennsylvania.	1.02
Oklahoma.	1.20
Louisiana.	1.13
Kansas.	.94
New York	1.89
Massachusetts (present act effective January 1, 1917)	1.57

2. Factor for Underestimate of Outstanding Claims:

In view of the fact that it requires a number of years to pay in full the claims incurred on policies written for any given policy year, reserves must be carried to cover such outstanding liabilities. To take care of possible underestimates in these reserves and to cover unreported claims and cases settled but subsequently reopened, an average factor of two per cent. was applied to reduce the pure premium to completed experience.

3. Factor for Increasing Claim Cost:

There are two elements of increasing cost to be considered at the present time. There is, first, a tendency for the claim cost of workmen's compensation to increase normally as the age of the act increases. There is, second, an abnormal increase in the cost of compensation at the present time created by conditions in industry which have been caused by the war. Each of these elements was given special consideration and provision was made for a combination of the two factors, the result to be known as a factor for increasing claim cost without statement of causes.

For the purpose of explanation, the two factors will be described independently.

The normal increase in the cost of workmen's compensation, which is a function of the age of workmen's compensation, is caused (1) by the gradual liberalization of workmen's compensa-

tion laws of claim administering bodies, and, (2) by the attitude of claimants. As workmen's compensation becomes better established, workingmen become better educated in the purpose of workmen's compensation and more particularly in the provisions of the State Workmen's Compensation Law under which they may claim compensation. Workmen's compensation laws are thus used to a greater extent as time passes. More claims for minor injuries are presented. Better surgical and medical attendance is demanded. Longer periods for convalescence are required. This greater use of compensation laws on the part of claimants is both legitimate and illegitimate. One of the greatest problems in workmen's compensation insurance is the problem of dealing with the malingerer.

The law of increasing cost established by the actuarial subcommittee is as follows:

<i>Policy Year under Compensation</i>	<i>Factor</i>
First.	1.00
Second.	1.10
Third.	1.15
Fourth.	1.18
Fifth.	1.20

These factors were not used in the establishment of state multipliers. They were modified for the reason that some effect of increasing cost was carried into the basic pure premiums by reason of the use of experiences for eleven compensation states, which were in various degrees of development. After a careful computation the conclusion was reached that 5 per cent. might be taken as the value of the increasing cost factor contained in the experience upon which the new pure premiums were established. The actual scale of increasing cost recommended for the projection of basic pure premiums as state rates was, therefore, as follows:

<i>Policy Year under Compensation</i>	<i>Factors</i>
First.	.95
Second.	1.05
Third.	1.10
Fourth.	1.125
Fifth.	1.14

The second element of increasing cost was difficult to investigate. The war has undoubtedly created abnormal conditions in

industry. There has been an intense business activity in certain branches of industry, which has resulted in the employment of inexperienced help, in over work, in the temporary discontinuance of safety campaigns and safety measures, in the over-crowding of factories, etc.

In addition, the war has had a serious effect upon the labor market. There has been an abnormal demand for labor and a subnormal supply with which to satisfy this demand. This has resulted in a re-arrangement of occupations and in a general shift in employment. There undoubtedly has been a tapping of labor sources not usually used. Women are entering industry and old men who have reached the age of superannuation are not retiring but are remaining in industry where they are finding a place which they would not find under normal circumstances. These factors have brought about conditions in industry which have resulted in an increase in the cost of compensation. This increase is as abnormal as the conditions themselves and it was thought advisable to represent it by an individual element of the total multiplier.

In determining a factor to represent this element, the committee had in mind that all of the workmen's compensation experience available for the determination of basic pure premiums was accumulated in times of subnormal industrial activity. The basic pure premiums were, therefore, representative of the conditions in industry below normal. It was recommended that they be brought to the level of the present abnormal conditions by two steps.

A factor was necessary first to bring the basic pure premiums to the level represented by normal conditions in industry. A second factor was necessary to carry the basic pure premiums to the level of the present abnormal conditions in industry. The second factor, of course, depends upon the industrial conditions found in each individual state. The loading recommended for the State of New York and for states where similar conditions obtain was 15 per cent.

These two factors of increasing cost are combined additively and the result is taken as a factor of increasing cost without reference to causes. Thus the combined factor for a state in the third

year of compensation where conditions in industry are abnormal at the present time is 1.25. The value of the first factor is 1.10 and the value of the second factor is .15.

4. Factor for Occupational Diseases:

Occupational diseases are subject to compensation in California and Massachusetts under the compensation law in exactly the same manner as industrial accidents are compensated. The committee, after an investigation of the data which had become available since the preceding conference, reaffirmed the recommendations of the 1915 committee and recommended that this element of loss cost be treated as follows:

It was recommended that a total loading of 2 per cent. of the gross premium should be established to provide for the cost of compensating occupational diseases, this loading to be distributed as follows:

(1) A factor of 1.01 to be included in the state multiplier in recognition of the existence of general occupational disease hazards such as tuberculosis, industrial neuroses of various kinds, etc., in all classifications.

(2) The pure premiums of individual classifications presenting special accident disease hazards such as lead poisoning, mercurial poisoning, etc., to be increased by the addition of specific occupational disease pure premiums amounting in the aggregate to 1 per cent. of the gross premium.

5. Variation due to Merit Rating, i. e., Schedule and Experience Rating:

The subject of schedule and experience rating is considered in detail elsewhere in this report. It is sufficient to state here that such rating is designed to do more exact justice in rating individual risks, by making reductions in manual rates for risks with physical and moral conditions *above* the average, and increases for risks *below* the average, the average plant taking the manual rate.

Theoretically, the volume of premiums above manual should be sufficiently large to offset the volume of premiums below manual. This is not true in practice, since the application of schedule rating has actually reduced the net premium volume about 11 per

cent. The experience on classifications subject to schedule rating was therefore loaded by means of a factor in the multiplier to offset this decrease so as to assure the collection of the average manual rate for an industry. Otherwise, the effect of the continuous application of schedule and experience rating would be to drive the premium below the point of adequacy.

6. Loading for Management Expenses:

A loading for management expenses was provided ranging from 36 per cent. to 42½ per cent., (depending upon the law differential of the state). In addition, a special loading was provided for New York, Kentucky and Maryland, on account of special taxes being levied by these states for the support of Industrial Commissions.

7. Loading for Profit:

A loading for a profit of 5 per cent. on capital invested in compensation business was determined upon, which was equivalent to 1½ per cent. of the gross premium.

8. Loading for Catastrophe Hazard:

After an investigation of the statistics of the Workmen's Compensation Reinsurance Bureau and data from other sources bearing upon this element, there was adopted a loading of 2 cents flat per \$100 of payroll to be added to the gross rate for each classification for New York — all other states one cent.

The charge for the catastrophe hazard is made a flat charge on the gross rate for the classification, because all industries are *equally* subject to this hazard, and not *proportionately*. For example, under a percentage system of 10 per cent. for catastrophe hazard, the clothing industry which has the greatest catastrophe hazard, but the low manual rate of 30 cents, would be charged only 3 cents, while an industry with a much smaller catastrophe hazard but a high manual rate of \$2.00 would have to pay 20 cents. Hence, it is not applied as a proportion or percentage of the rate, but is made a flat addition to the rate.

As an example of the 1917 multiplier constructed in accordance

with the recommendations of the actuarial sub-committee of the augmented standing committee, the following may be taken:

(1) Law differential	1.50
(2) Factor for increasing cost.....	1.25
(a) Age of act.....	1.10
(b) Abnormal conditions in industry.....	.15
(3) Under-estimate of outstanding losses.....	1.02
(4) Occupational diseases	1.01
(5) Experience rating	1.01
(6) Catastrophe loading	.01 flat
(7) Management expenses, taxes and underwriting profit or loss..	.415

The multiplier is obtained by the following calculation:

$$\frac{(1.50) \times (1.25) \times (1.02) \times (1.01) \times (1.01)}{1 - .415} + .01 \text{ flat} = 3.33 + .01$$

In addition to these factors of the multiplier there was a special factor of 9 per cent. of the gross premiums to be applied to those classifications subject to schedule rating. This factor was applied to the basic pure premium before the application of the state multiplier, however, inasmuch as its use was general in the majority of compensation states and was applicable only to a part of the manual classifications.

Assuming a basic pure premium of \$1.00 for a classification subject to schedule rating, the basic pure premium loaded for schedule rating would be \$1.10. In a state where the conditions outlined above obtain, the state rate corresponding to a basic pure premium of \$1.00 for a classification subject to schedule rating would be \$3.67 obtained by multiplying the loaded basic pure premium by the state multiplier of 3.33. Similarly the state rate corresponding to a basic pure premium of \$1.00 for a classification not subject to schedule rating would be \$3.34.

DEPARTURES FROM COMPENSATION MANUAL RATES

Schedule and Experience Rating

With the basic or manual rates thus determined, the final step is the ascertaining of the correct rate for the individual risk. The manual contains average rates applicable to classes of risks but not to individual risks within the class.

Risks within a classification differ materially with respect to

their physical and moral conditions. Therefore, justice to individual policyholders demands that a distinction be made between rates for employers who have superior plants and for other employers in the same class who operate inferior plants. To accomplish this, the so-called *merit-rating* system has been established to provide an individual rate for each risk depending upon the physical and moral conditions of the plant by means of two systems of rating: Schedule rating and Experience rating.

Schedule Rating

Schedule rating is a system of rating by which each manufacturing risk is individually rated in accordance with its physical characteristics. This is accomplished by means of a schedule prepared by underwriters and safety engineers, which makes a complete analysis of an average manufacturing plant, particularly with respect to the safety of persons employed therein. It shows the type of buildings, number and quality of exits, condition of flooring and stairways, floor and wall openings such as elevators, hoistways, etc. It sets forth the plant equipment such as boilers, engines, generators, transmission shafting and belting. It provides standards for safeguarding machinery, for improving sanitary conditions and for organizing safety committees.

The schedule recognizes chargeable, neutral and creditable conditions—an average plant taking the manual rate, one with superior conditions receiving a reduction, and one with inferior conditions an increase. The rate values were determined by an analysis of American and European industrial accident statistics with particular regard to the causes, severity and frequency of such accidents. A further analysis of causes of accidents as to the relative effect on the workers in a given plant, established three distinct classes of hazard, namely:

First: Catastrophe hazards such as those due to fire, boiler explosion and collapse, affecting all workers in a given plant, and affecting all classifications, both high rated and low rated. Hence, flat charges and credits are applied to the manual rate for all classifications, thus distributing the burden equally among all industries.

Second: Hazards inherent in the particular industry and affecting all employees. Any increase or decrease in these hazards

due to change of methods in the industry have a corresponding effect upon the basis rate. Hence, charges or credits are made on the percentage of manual rate basis.

Third: Hazards not inherent in, or necessary to, the industry and affecting a limited number of employees. Items relating to stairways, unguarded flywheels, shafting or set screws, unguarded grinding wheels, absence of safeguards for machinery, etc., represent hazards which expose only a certain number of employees of a given plant at any given time. It would be unjust to apply the value of these hazards to the rate because that would charge the entire payroll. A flat amount is, therefore, applied to the ultimate premium (estimated at manual) on the basis of average exposure.

In applying the schedule, risks are actually inspected and reports prepared, showing the items to be credited or debited. These reports are valued in accordance with the requirements of the schedule, and a rate promulgated for the risk.

The first schedule generally used was the so-called Universal Analytic Schedule which was worked out by the bureau during 1913 and tested in the State of New Jersey where some five thousand manufacturing plants were inspected and schedule rated. This schedule went into effect December, 1913 and was applied both to compensation and liability risks. It produced in New York a net decrease in manual rates of about 10 per cent. for the first two years, and 20 per cent. for the last year of its operation. This led to criticism of the schedule on the grounds that credit values had been allowed for average conditions where they should not have been, that there was a failure to provide additional charges for inferior conditions, and that the so-called "discretionary credits" gave an inspector too great a leeway in reducing rates. In defense it was urged that the natural effect of the schedule would be to reduce the premium rate because of the reduction in hazard due to improvements encouraged by the schedule.

In any event, a conference on schedule rating was called June, 1916, by the bureau, which was attended by the New York, Massachusetts and Pennsylvania Insurance Departments and the New York, Massachusetts and Pennsylvania Rating Boards. The Universal Analytic Schedule was revised and made uniformly applicable to all states under the name of the *Industrial Compensation Rating Schedule*. This new schedule was designed to apply to risks with an annual estimated payroll of at least \$25,000 or

annual estimated premiums of at least \$50. It went into effect on September 1, 1916, in all compensation states under bureau jurisdiction. (The old Universal Analytic Schedule is still in use in liability states.) At the same time, a permanent Conference on Schedule Rating was established, to pass upon any questions of interpretation of the new schedule so as to keep departures uniform throughout the country, and to bring into cooperation a variety of interests including stock and mutual companies, state funds and state insurance departments. It is claimed that the present schedule furnishes more accurate rates upon an average basis; that it does away with practically all discretion on the part of inspectors in applying values, and, in the long run, that it will produce more balanced results. Nevertheless, the indications from a study of 5,000 risks show a general reduction of about eleven per cent. in rates.

In New York State, the schedule is not applied, nor compensation rates promulgated by the bureau. The superintendent of insurance, being obligated by law to pass upon the adequacy of compensation rates, discharges this obligation by means of a compensation rating organization — the New York Compensation Inspection Rating Board — of which every compensation carrier in the state is a member. Every risk subject to schedule rating must be submitted to this Board for inspection and rating.

Schedule Rating Inspections:

As has been stated, before a risk is schedule rated, it is inspected, and a rating report prepared, showing the items to be debited and credited. *For new risks*, these rating inspections are made by the bureau through its inspection department, and by the carrying companies themselves, for renewal risks.

For the year ending December, 1916, the bureau made 9,144 inspections covering about \$357,636,000 in payroll. All inspection reports, including those made up by carrying companies themselves, must be submitted to the local bureau rating offices where they are checked up, and the rates computed from the facts shown in the inspection reports.

However, after a year's operation, a number of abuses crept in. With competition in manual rates eliminated, determination of the actual rate hinged upon the inspection. A number of companies took advantage of this by permitting inspections to be made

by local managers and special agents who were much more interested in getting a reduced rate, than in determining a correct one. Proper charges were omitted in the inspection reports, credits incorrectly applied, and plant conditions were misstated. This was particularly true in California where several companies made a large number of inspections from a competitive standpoint, particularly at places not covered by bureau inspectors. The same conditions developed at many points where intense competition for business existed. Finally in November, 1916, at the time of the re-organization of the bureau previously explained, there was instituted a system of *test inspections* to be made by the bureau. Under this system, at least 10 per cent. of all the risks of each company in a given state must be reinspected each month to determine the correctness of the company inspections. The choice of the risks to be reinspected is made by the general manager of the bureau in such a way as to afford an indication of the company's methods, but in a way unknown to the company or branch manager. If important discrepancies are revealed, the general manager may direct additional inspections to be made at the company's expense, even to the extent of all of its risks. Furthermore, it is compulsory for all companies to inspect every risk at least once each year, such inspections to be reported to and tested by the bureau. This plan is designed to give the bureau a reasonably effective check over all company renewal inspections and thus correct the most important abuses of the rating system.

In the State of Oklahoma where the bureau office has been made the official rating office of the state, by the insurance authorities, the bureau makes all the inspections, both new and renewal, for all carriers including mutual companies, if any. The application of the schedule is entirely out of the hands of competing companies, who are compelled to abide by bureau inspection and rating. In New York, Massachusetts, Pennsylvania, California (and now Wisconsin) where the state approves the adequacy of compensation rates through the medium of a rating board, practically every carrier finds it necessary to become a member of this board which is under strict state supervision. Inspections are made by these boards and rates promulgated which are free from competitive influences.

There is little doubt but that the best results have been obtained in states where the schedule is thus exclusively applied by an im-

partial rating body (either bureau or state rating board) whose inspections and rates must be observed by every compensation carrier in the state. This seems to be the only sure-fire method by which competitive influences can be eliminated.

Accident Prevention and Safety Standards

Schedule rating is based on *safety standards*, and debits and credits are applied for departures from such standards. However, there has always been great divergence of opinion as to what were considered safety standards. Each state has had its own legal requirements, while the engineering departments of various insurance companies have tried to impose their own ideas upon employers, before allowing rate reductions. The introduction of schedule rating by the bureau has accelerated the movement for uniformity. Standards have been worked out and put into tangible form by the engineering department of the bureau working in cooperation with the U. S. Bureau of Standards, the Federal Bureau of Mines, the National Safety Council, and others. Various states including New York and Pennsylvania have taken steps to conform their legal requirements to the standards thus evolved.

In addition to this, schedule rating has been credited with stimulating accident prevention work among manufacturers, because it offers a direct financial incentive to introduce standard safety devices, to eliminate dangerous conditions, and to educate employees in safety work. The bureau, through its safety engineer, seeks to encourage such improvements, leaving to the companies themselves the details and the actual service to the policyholders.

Experience Rating

Schedule rating applies only to manufacturing plants. For risks which do not have a fixed location, such as contracting operations of all kinds and certain types of public utilities, a plan of individual rating has been devised based upon the accident record or "experience" of the risk. This system is known as experience rating.

In October, 1914, the bureau adopted an experience rating plan under which a detailed analysis is made of the past experience on a particular risk covering a definite period of time. According to such experience the manual rate for the risk is

modified by the application of a charge or a credit as the case may be.

In New York State a system of experience rating was in operation during the two-year period which ended June 30, 1916. At the instance of the New York Insurance Department this plan was abandoned because it was found that under the rules governing its application experience rates were available only to the best risks so that the net effect of the plan was a depression in premium volume which tended to impair the general adequacy of the rates.

Following the failure of the first New York plan a committee composed of representatives of stock and mutual companies and the New York State Fund, developed a compromise plan which was introduced in New York as of June 30, 1916, for a trial period of one year and was adopted by the bureau for other states on October 1, 1916. Under the rules this plan had to be applied to all risks irrespective of whether their experience had been good or bad. Its application was confined, however, to manufacturing risks having a payroll exposure of \$100,000 or more, an earned premium of at least \$500 and covering an experience period of at least two and not more than five years; and to contracting and miscellaneous risks having a payroll exposure of \$50,000 or more, an earned premium of at least \$500 covering a similar experience period. Each carrier is required to submit an application for experience rating together with the past experience of the risk, giving details respecting compensatable accidents sustained during the period on which the rating is based. The loss cost of these accidents is then figured from a table of fixed values established for each compensation state in accordance with the benefit schedule of the compensation law. The medical cost is determined by applying a fixed average value to each notice of injury.

For risks subject to schedule rating, the maximum debits and credits depend upon two elements, the size of the premium and the loss ratio. Risks producing an earned premium of \$500, are subject to debits or credits not to exceed 5 per cent. of manual rates; with an earned premium of \$5,000 or over — 20 per cent. of manual rates. Between these two limits, the maximum is

graded proportionately. If the loss ratio falls between 40 per cent. and 65 per cent., no debit or credit is allowed, such risks being presumed to come within a neutral zone.

If a risk is both schedule rated and experience rated, the final rate is determined as follows: If the modification produced by the schedule is a credit, and the modification produced by experience rating is a credit, the sum of the two indicates the departure from manual rate — not to exceed 40 per cent. however. If the modification produced by the schedule is a debit or credit, and the modification produced by experience rating a debit or credit, the net debit or credit is the departure from manual rate.

Thus the past experience on a risk is used as an indication of the rate on the current policy, and when promulgated, is available to all companies for a fixed period of time. To this plan of experience rating also, objections have been raised. It is claimed that the individual risk is penalized for the occurrence of such serious and expensive losses as deaths, permanent total disabilities, etc., which are of low frequency and which, when they occur, may be due to pure chance rather than to conditions which are inherent in the individual risk. The effect of such losses frequently distorts the experience of an otherwise good risk and produces an undue penalty in the rate. It has been found also that the average medical values are unsatisfactory and do not reflect actual conditions. Such costs vary in different industries and with different employers. Moreover, as such fixed average is applied to every notice of injury reported, the careful employer who reports all notices of injury is penalized and there is created an inducement to withhold such notices. Also, the average value used in each state for accidents other than deaths, permanent total disabilities and dismemberments is proving too rigid because of variations in average cost as between different industries. This plan of experience rating expired by limitation on June 30, 1917, as regards the State of New York.

The bureau has developed a revised plan which it is hoped will meet the foregoing objections. This new plan provides for the spreading of a large part of the cost of deaths and permanent total disabilities over *all risks* in certain arbitrary proportions. To do this, the premium on a risk is split into two parts — one

representing the premium for death and permanent total disability, the other representing the premium for "all other losses." The division of premium is to be made for each state in accordance with certain ratios which represent the relativity of cost between the two classes of losses. Each division of the premium is to be separately rated — the portion for deaths and permanent total disabilities upon the basis of the number of such cases found in the experience of the individual risk. (Each of these cases is valued at a fixed amount which varies directly with the manual rate for the classification, the higher rated classifications requiring higher death values.) The so-called "All other" division is to be rated upon the basis of the actual experience of the risk, excluding for this purpose, deaths and permanent totals. Instead of the fixed average amount for medical aid, the amounts actually expended for this purpose are to be included in the experience of the risk.

Special Compensation and Liability Rates

In addition to the deviations from manual previously explained, it has been found necessary to allow *special rates* on many compensation and liability risks that are not subject to manual classification. Although the manuals are as complete as is practicable with the present available experience, there are many industries that are not covered by any classification, and there are many classifications that are inadequate to meet the diverse operations of a great number of employers. Hence the manuals must be amplified by so-called *supplementary* classifications, and many risks rated on their individual merits by means of *special rates*.

Average Rates:

A great proportion of special rates that are allowed, are so-called *Average Rates*: In order to rate a risk involving diverse and distinct operations, the payroll is divided according to such operations, and the proper manual rate applied to each. The total premium thus derived is divided by the total payroll, and the result is termed an *average* rate. The nature of the payroll and the impossibility of fitting a single manual classification to the risk necessitate this individual treatment. When an average rate is promulgated it becomes available to all company members.

All railroad construction risks must be average rated. An application must be filed showing the various elements of the work, quantities and estimated payrolls, together with plans and specifications. The manual rate is applied to the payroll figures for each element, and the average rate determined as above. Sewer construction risks are also average rated. Plans and specifications must be furnished so that the cubical contents can be measured and a wage unit applied to each cubic yard excavated under seven feet in depth, and over seven feet in depth. This gives an estimated payroll figure which is multiplied by the respective manual rates, and the average rate determined by dividing the total estimated premium by the total payroll.

To obtain a rate on a contractor's risk not coming under the manual, it must be submitted to the bureau for average rating. Such rating is only available upon a satisfactory showing of the relation and relative extent of the hazards involved, and only in the case of specific contracts where the relation of hazards may be demonstrated by plans, specifications and other information.

Before average rates are promulgated for railroad, sewer and contractors' risks, five days' notice is given to all members and if there is no substantial remonstrance, the rate is issued and communicated to all inquiring companies.

Other Special Rates:

A distinction may be made between average rates and *other special rates* in the following particular: Where the risk is not logically divisible into several distinct processes, and the payroll for each operation cannot be reliably computed, because of intermingling hazards, the rate for the risk is determined by the principal hazard, or governing operation. If this is not specifically classified in the manual, it is related by analogy to some hazard which is classified, and assumes the rate of this analogous hazard. "Underwriting judgment" is used to a great extent in classifying such risks and varying the rate in accordance with any special hazards that may exist.

Supplementary Classifications:

In cases of risks for which no classifications exist in the manual and no general classification is practicable, supplementary classi-

fications are established which are added as an appendix to the manual, and become available for other risks of the same nature, upon specific approval by the bureau in each case.

The granting of special rates — necessary as they may be under present conditions — is nevertheless a weak point in the present rating system. The application of an average rate to a plant which combines several different manual classifications, obscures and vitiates the statistical experience of that plant, since the experience cannot be properly classified. A considerable volume of valuable experience is thus lost. Furthermore, in using the rate of an analogous classification to arrive at a special rate, a great element of underwriting judgment must be used. This means that the rate depends not so much upon the demonstrable hazard of the risk as upon the underwriting opinion of the committee.

Liability Rates — Departures from Manual

The liability manual now in use was originally made up for the Southern States and subsequently extended to other states. The last revision made March, 1915, covered employers', public teams, elevator and general liability and was based upon the experience of some ten companies.

Probably the greatest cause of dissension and dissatisfaction in the past history of the bureau, was the practice of permitting special rates and departures from manual for competitive reasons. Compensation was then in its infancy, and the great bulk of the business was liability business which was anything but standardized, as far as individual rating was concerned. The introduction of compensation in most of the states, however, accompanied by the systems of schedule and experience rating, has established the principle that departures from manual must be based upon elements of hazard. This has solved the problem for compensation states, on the whole, but not for liability states even though schedule rating has been introduced into these states. In liability states, departures from manual are still permitted, which are not based upon elements of hazard, but are allowed as partial concessions to competitive expediency.

The rules governing these departures have been amended from time to time in response to competitive conditions existing in the

liability field. The last revision was adopted at a meeting of the Governing Committee of the bureau held May 11, 1916, and provided for the so-called *Alternative Rating Plan* whose main provisions are as follows:

I. *Renewals* of employer's liability, public liability, general liability and owners', landlords' and tenants' liability business, in bureau liability states after June 1, 1916, shall be rated:

1. At manual, or
2. By schedule rating and / or experience rating, or, as an alternative,
3. At the rate at which the risk has been carried by the company prior to June 1, 1916, which rate, together with the name and address of the assured, must be filed with the bureau not less than 60 days prior to the expiration of the risk; *whereupon it becomes the bureau rate.*

II. *New Risks*, that is, risks not on the books of a company member within 60 days immediately preceding, must be written:

1. At manual rates, or
 2. At schedule rate, upon proper notice to the bureau.
- This rate must be approved and is available to all inquiring companies who, in consideration of receiving such information, agree to maintain the rate, and hold the information in strict confidence.

III. When a non-carrying company wants to know whether a reduced rate is proposed or has been named, it can get such information from the bureau, and can receive the renewal requirements from the carrying company not less than 30 days prior to the renewal date. If the carrying company fails to furnish the information, the inquiring company can treat the risk as one not on the books of a bureau company, and proceed to have the risk rated as a *new* one.

The above rules do not apply to automobile, teams or elevator liability business, and are applicable to the following liability states at the time of writing:

Alabama	North Dakota	Idaho
Arkansas	Virginia	South Carolina
Delaware	Missouri	North Carolina
Florida	Tennessee	
Georgia	Mississippi	

Under the alternative plan, the bureau necessarily puts its stamp of approval upon any liability rate at which a company has written its risks, prior to June 1, 1916. If the company is satisfied from former experience, that the rate is satisfactory, even though a cut rate, it may renew at that figure which, when filed with the bureau, becomes the bureau rate for that risk. In thus permitting liability risks to be carried at competitive rates, the bureau is necessarily continuing the evils inherent in a system of competitive rating. But it justifies this course as the lesser of two evils — as the alternative, in fact, of unlimited and uncontrolled rate competition in liability states. Furthermore, the system is only intended to be temporary. According to the bureau, the pressure of more important compensation matters has prevented a scientific solution of the problem up to the present time.

Public Liability Rates:

At the present time, two sets of Public Liability rates are in existence — the one in the liability manual, the other in the basic compensation manual. A number of inconsistencies between the two have been developed — more particularly in the case of risks located in the contiguous states of Missouri and Illinois, or Missouri and Iowa, one being a liability state, the other a compensation state. Such inconsistencies are particularly glaring where a risk is located in both states. In one case a rate was \$1.50 in the compensation manual and \$3.00 in the liability manual covering the public liability portion of the same risk. While the difference, in a number of cases, may be justified by actual difference in hazard, it is nevertheless evident that the public liability rates in the liability manual should be revised so as to conform to the public liability rates in the compensation manual, which rates were presumably based upon the best experience for that class of business.

AUTOMOBILE RATES

One of the important activities of the bureau is the making of automobile rates and the regulation of automobile underwriting

practices. As has been stated, a special department has been created in the bureau organization to handle these matters.

The making of equitable automobile rates is one of the problems still to be solved by the bureau. Following is a brief explanation of the general principles governing the making of the present rates:

Automobile liability and property damage rates for private pleasure cars are based upon the insurable horsepower and the location of the risk; that is, a given car of a given horsepower used at a certain location, is charged a certain rate. At first the *weight* of a car was used as a basis for rating and a combination number of road miles traveled plus horsepower has been suggested — the theory being that an assured traveling 5,000 road miles a season, should pay twice as much as one who travels only 2,500 miles. (But this is impracticable because the road mileage figure can be tampered with by the assured.)

The experience statistics for private pleasure cars is kept by horsepowers, by state, by differential or country territory within the state, and by city territory. There is thus produced a pure premium cost for any given horsepower, in a given state, city or territory. Rates are fixed for the counties of a state which contain large cities. The rest of the state is usually designated as *differential territory* and receives a 25 per cent. reduction — partly to encourage automobile owners in these districts to insure.

Where the policy is written in favor of more than one assured, such as joint owners, an additional premium of from 10 to 15 per cent. is charged, based upon the number of additional interests. The theory is that if two persons use one car, there is a greater road-mile exposure than if only one person drives. Furthermore, in case of accident, there may be two suits to defend. Again, many private pleasure cars are used occasionally for delivery purposes in business. It is customary to charge 50 per cent. additional for liability and property damage to cover the increased hazard. In cases where an owner has more than one car, the driving of which is limited either to himself or to a named chauffeur, it is the practice to charge full rates for as many cars as there are named operators, with the balance of the cars at 25 per cent. of the full rates. To provide compensation

coverage for one chauffeur under the provision of any compensation law \$15 is added to the New York rates.

Collision rates are based upon the list price of the car. These list prices are denoted by the letters of the alphabet, each letter representing a group of prices, and carrying its own premium. Unlike property damage, there is no differential or country rate for collision, the same rate applying to both rural and city territory.

Commercial trucks are divided by occupations into five main classes for liability and property damage rating, each class taking a separate rate. Thus, a light delivery car is charged the same as a heavy truck, if both are used in the same business. This is considered fair by the underwriters because a light car is presumed to cover much more road mileage than a heavy truck.

The same division of territory is provided for as in the case of private pleasure vehicles.

Fleets of trucks are rated on the basis of *named operators*, thus obviating the necessity of describing each car. Such operators may use any reserve car — the insurance covering the chauffeur, rather than the car. Thus, the assured pays for coverage on cars actually in use.

Collision insurance on commercial trucks is rated at 2 2/5 per cent. of the list price of the truck for “\$25 deductible” coverage. For “full coverage” \$35 for each car is added to the above rates.

Dealers' cars. There are three methods of rating dealers' risks, for liability and property damage coverage, as follows:

1. *Named chauffeur basis*, by which the rate is quoted at a certain amount per named chauffeur. Such operator is permitted to use any car for demonstrating or testing. This method is specially used in small risks where the owner or a helper does all the testing and operating and provides limited coverage.

2. *Specified car basis*, which requires a description of each car to be covered, i. e., trade name, factory number, model, etc. The policy permits any person in the assured's employ to operate the described car for the purposes named. This rating method, also, is applied to smaller risks and provides limited coverage. The rate is quoted as a certain amount “per specified car.”

3. *Payroll basis*, by which a certain percentage is charged for each \$100 of dealers payroll up to \$10,000, a smaller percentage

from \$10,000 to \$25,000, and a still lower rate from \$25,000 to \$40,000. Both outside exposure and inside exposure is considered. This method of rating is the one most frequently used. The policies are usually drawn to cover special conditions, and provide coverage for any car operated by any person on the assured's payroll. The rate charged is an average rate and applies to the total payroll of all persons employed. For risks with payrolls of over \$40,000, special rates are promulgated, based upon the individual characteristics of the risk.

Manufacturers' cars are rated on the "named chauffeur" basis, like dealers' cars, and by applying a certain rate to each car manufactured, overhauled, rebuilt, or repaired at the factory during the policy period. The coverage is complete and includes the testing of cars, operation of business cars, pick-up cars, commercial cars, in fact, the operation of any car for any purpose necessary for the manufacturers' business.

For *collision* coverage on manufacturers' cars, the list price governs. Under this system two cars of different make, but of the same list price, receive the same rate, although the parts of one may be more cheaply replaced than those of the other.

Automobile Rate Schedules:

The rating system in force prior to January 1, 1916, comprised 8 territorial schedules, three of which were created through force of competition. These were the New England territory, the Boston and Providence territory, and the Pennsylvania territory. The New England territory received a lower rate than the country districts of New York State, which aroused considerable dissatisfaction. In the Pennsylvania territory, the city of Philadelphia received as low a rate as any country town in the state in spite of its obviously poorer experience as a large, congested city. These differences were not based upon experience, but upon competitive expediency. In fact, the automobile situation at the time was out of bureau control throughout the country. Wide open competition in rates was prevalent in Chicago, St. Louis, Minnesota, Maryland, and the Pacific Coast states. Agents of bureau companies were placing a large volume of automobile business at cut rates, with non-bureau companies. At last, in January, 1916, a country-wide revision of rates was made, and the present schedules promulgated.

They are based upon the experience of eight companies and comprise policy issues from 1890 to 1913 inclusive with an exposure of 308,096 cars. Eleven territorial divisions were established as follows: (1) Greater New York; (2) Chicago and St. Louis; (3) Boston; (4) Philadelphia; (5) Providence; (6) Baltimore, District of Columbia and Pittsburg; (7) Detroit; Indianapolis and Milwaukee; (8) St. Paul and Minneapolis; (9) States of Alabama, Kentucky and Tennessee; (10) a number of the larger cities throughout the east, south and middlewest; (11) all the rest of the country comprising so-called "differential" territory.

The states of Kentucky, Tennessee and Alabama were rated in a separate schedule because the experience at that time showed an abnormally heavy loss ratio for these states. Several inconsistencies in the previous rating scheme were eliminated. The country districts of New York are now rated the same as those of New England. The rates for Philadelphia are now slightly higher than those of the state of Pennsylvania. But the latter adjustment did not go far enough. The experience indicated that an increase of 40 per cent. in Philadelphia rates was necessary. Instead a slight decrease was effected in Pennsylvania rates, thus making a difference between the two territories of about 10 per cent. instead of 35 per cent. Moreover the rates previously in force for Boston territory were re-promulgated, although the experience indicated an average 27 per cent. increase. The experience gathered for New York city and Chicago indicated the necessity of a re-distribution of rates by horsepower, i. e., an increase of rates for the lower horsepowers and a decrease for the higher horsepowers. The old rates, however, were re-established.

The present schedules as originally promulgated on January 1, 1916, aroused such a general storm of protest on the part of the underwriters and agents that the whole situation was put up to the Board of Referees of the bureau in March, 1916, and the following changes made:

1. *Providence district*: The new schedule was withdrawn and the old rates re-established, pending the collection of additional statistics, for private pleasure automobiles.

2. *Detroit, Milwaukee and Indianapolis*: A reduction of about 20 per cent. in the new rates was allowed, for private pleasure automobiles.

Another inconsistency called to the attention of the bureau was that the rates established for the 29, 30, 31 and 32 horsepower

machines in the city of Baltimore are lower than those of the same horsepowers for the rest of Maryland (instead of being higher) as follows:

<i>Horsepower</i>	<i>Baltimore rate</i>	<i>Maryland rate</i>
29	35.50	35.75
30	36.50	37.25
31	37.50	38.00
32	38.50	38.75

The bureau admitted the inconsistency and explained that the Baltimore rates were based upon all available experience plus underwriting judgment, and increase \$1.00 for each additional horse power. Maryland, on the other hand, (exclusive of Baltimore), is classified at rates given to the "country as a whole," which rates are based upon more reliable experience, and increase irregularly for each additional horsepower. This inconsistency is still in existence and will not be eliminated, according to the Bureau, until the next general rate revision.

As a general proposition, therefore, the rates now in effect are not satisfactory and, in many instances, not scientific. The element of underwriting judgment is too prominent. In some states they are based upon fragmentary experience, and in others are determined by competitive expediency. From the latest indications, the rates are apparently too low in New York City, Providence and St. Louis, and too high in Chicago. In the states of Alabama, Kentucky and Tennessee, conditions have improved to such an extent that the present rates are too high. In fact, there is a general defect in the present system of territorial rating in that at the boundary line of the state or other territorial division the rates change much more abruptly than the hazards, so that a small difference in the location of a risk will oftentimes affect the rate very radically.

The bureau recognizes that a general revision is necessary, and has taken the necessary steps to gather information. A comprehensive plan for the tabulation and compilation of statistics has been developed. Standard statistical forms have been drawn up and distributed among the company members, calling for experience from January 1, 1917. But such experience will not be available until 1919. In the meantime a call has been sent out for experience covering policy years 1914, 1915 and 1916 for the entire country, with losses brought down to December, 1916. The

purpose of this call is to get the best possible experience by which to establish rates for the year 1918, after which the new standardized plan becomes operative.

SPECIAL AUTOMOBILE RATES

The manual now in effect provides that manufacturers' and dealers' risks on a payroll basis, involving payrolls of over \$40,000 shall be referred for *special rating*. This applies to renewals as well as new business, and includes garage, sales agency, and service station risks.

Each risk of this size presents an individual rating problem; and since proper standards have not been worked out in gathering the necessary information, the results are not satisfactory. There is no bureau experience whatever for rating garage risks. The bulk of such risks are written by the five company members of the automobile committee who believe, from their own experience and underwriting judgment, that the present rates are about right.

The equitable rating of such risks is particularly difficult because of the intangible, non-measurable elements of the outside hazards. A physical inspection will reveal inside conditions, but is practically useless in determining the most important hazards — outside driving and exposure. Here the primary element is the moral hazard. The character of drivers (whether reckless or careful) determines losses, and this can apparently be measured only by the experience of the risk, not by inspection. Another element is the *quantity of driving*. This can be indicated by the number of employees, number of cars actually used, amount of demonstrating, testing and delivery, time in and out of garage, mileage and time check, extent of family driving and "joy rides." The *quality* of driving is important — whether city or country driving, level or hilly, truck driving, or high speed pleasure car demonstrations. It is also desirable to know what the payroll consists of, outside of demonstrators, chauffeurs, etc.; and what the incidental hazards are, such as hazards of premises, area and frontage. The system now in use provides little of the above information.

Thus, special rates under present conditions, are purely judgment rates, modified wherever possible by individual experience.

In arriving at these rates, the proportion of outside and inside payroll is always noted. If there is a great proportion of assemblers and mechanics, that is, non-hazardous payroll, the rate will be correspondingly low. A garage risk is considered average where the payroll is slightly over \$40,000, the outside portion being one-fourth to one-third of the total payroll. A common rate for new risks with no experience as a guide and average proportions of outside and inside payroll, is \$2.00 for public liability outside of New York City. For New York, a rate between \$2.50 and \$2.75 would be considered average. Upon renewal, these rates would be modified by the experience on the risk — usually in the shape of a reduction. The rates for property damage are one-third those of public liability.

As far as can be determined, the special rates promulgated by the bureau have been fairly well observed on the whole, by the competing carriers. In the case of several extra large manufacturers' risks, however, like that of the Ford Motor Company and the Studebaker risk, the bureau rules were practically ignored in the fierce competition for the business. The carrying companies not only refused to file their previous experience on the risk so that a renewal rate could be determined as required by the rules, but refused to abide by the rate when it was finally promulgated, and carried the business at their own rate.

The helplessness of the bureau in these situations was due in part to the magnitude of the risks involved, to the mutual jealousies of the competing members and to the inherent weaknesses in the present system of payroll rates.

Collision Insurance Rates:

As has been stated, collision rates are based upon the list price of the car. There is no differential or country rate. The same rate applies to both rural and urban sections, the theory being that although there are more accidents in the larger cities, the charges for repairs, claim adjusting and towing, are correspondingly less. There are no general statistics to support this theory. In fact it is even doubtful whether repair work is cheaper in a large city than in a small one. While the adjustment expenses may be less, it is a question whether this will make up for the greater number of collisions in large cities. This matter should be determined by the bureau as soon as practicable.

Policy Limits:

The rates quoted in the automobile manual are for standard limits, namely, a maximum of \$5,000 for any one person injured, and a total maximum of \$10,000 for any number of persons injured in the same accident. No reduction is allowed for limits lower than these. Higher limits up to \$50/300,000 are provided, with corresponding increases in rate up to 192 per cent. The standard limit for property damage is \$1,000.

The question has arisen as to whether these standard limits are high enough in view of the decreasing value of the dollar, and the tendency toward larger verdicts for damages. In a number of cases, the assured has been compelled to assume the larger share of the loss. It has therefore been urged that the companies increase their standard limits.

RATE SITUATION IN VARIOUS STATES

Missouri

The state of Missouri is now the largest liability state. Here, the competitive situation has never been under control. Competition has driven employers liability rates down as far as 50 and 60 per cent. below manual. The alternative plan kept renewals at these low figures until it was withdrawn, and schedule rating and experience rating substituted, together with provision for special ratings. At the time of writing, the liability manual for this state is being revised upward.

In the case of automobile liability, conditions were even more unsettled. At the time of the last revision of rates (January, 1916), the competition of non-bureau companies was felt so acutely that the whole matter was put up to the Board of Referees as a general competitive situation; and in August, 1916, the rates were cut for the whole state of Missouri to meet this competition. In agreement with the National Automobile Underwriters Conference (the association of fire companies) collision rates were cut 25 per cent. for St. Louis territory.

A branch bureau was established August 30, 1916, and proceeded to adopt a plan calling for the registration and classification of all agents and brokers doing business with bureau companies, and pledging such companies to withhold commissions from all non-registered producers. A strict non-intercourse rule

was established to prevent bureau representatives placing business with non-bureau companies. However, a storm of protest arose, and by March, 1917, the plan was abandoned.

At present, conditions are a little more stable owing to the activities of the branch bureau, and the cooperation of some of the non-bureau companies. But competition is by no means under control, and the general rate levels, it is claimed, are entirely too low.

California

The California compensation act was passed in 1911.

By 1915, the compensation situation was highly competitive. Nearly all the carriers were cutting rates especially to meet the competition of the State Fund, and the local association of underwriters proved unable to control affairs. The schedule rating system was used for competitive purposes where the companies made their own inspections. At last, a consultation was held at which the insurance commissioner, State Fund and bureau company representatives decided to establish a Rating and Inspection Bureau patterned after the Massachusetts and New York Compensation Rating Boards. This board was organized September 23, 1915, as an independent state board, not subject to bureau control, but possessing no rate-making powers nor the power to change the manual without bureau approval.

This immediately caused friction owing to the difficulty in passing upon the many necessary manual changes from the New York office. In September, 1916, therefore the California Insurance Department, by authority of the "adequate rate" compensation law then in effect, decided to take control of the situation, and proceeded to make the rating board the official rate-making body for the state with full power to promulgate rates and make manual changes. Moreover, the board also assumed control of the commission and agency situation which was being abused in the intense competition for business, the acquisition cost having been forced considerably beyond the 17½ per cent. maximum for compensation business.

The insurance commissioner undertook an investigation of acquisition costs and where these were exceeded, ordered all companies to increase their rates accordingly. California is thus no longer under bureau control, although cooperating with the bureau in rate-making.

Illinois

From a competitive standpoint, Illinois has always proven exceedingly troublesome to the bureau. In 1915, indiscriminate rate cutting was the rule. At this time the bureau companies claimed that their business was being taken away by non-conference companies, owing to the limitations of the schedule rating system which failed to take into consideration the experience on the individual risk.

The situation as regards automobile liability was also demoralized. In May, 1915, an investigation by the bureau showed a considerable number of rate violations. Energetic attempts were made to control the situation. A stamping office was established for Chicago, and finally, after considerable negotiation, the three largest non-conference companies were brought into line, and became members of the branch bureau which was established June, 1916. The demoralization in Illinois automobile rates was due in great part to the drive for business made by these three non-conference companies. At present, owing to this cooperation and to the activities of the branch bureau and stamping office, conditions are considerably better.

Louisiana

Up to September, 1915, there was considerable demoralization in Louisiana compensation business, especially the lumber business, which accounted for half of the total premium writings in the state. The bulk of this business was written by one bureau company at rates considerably below manual, as a result of wholesale violations of bureau rules.

At this time, mutuals and non-conference companies were making a strong bid for the business, and some of the bureau companies asked to be permitted to write their renewals at the then written rates. A hearing was held before the governing committee, and permission was granted. Thus, owing to lack of inspection and rating information, the bureau was compelled to approve a great number of purely competitive rates for this state. These rates proved unprofitable, and were later increased.

At the time of writing, Louisiana lumber risks have, in the main, been inspected, schedule rated and experience rated.

Wisconsin

In the early days of the Wisconsin Compensation Act, the bureau companies were met by considerable antagonism. In December, 1915, proceedings were instituted by a Wisconsin mutual company before the insurance commissioner and the Industrial Commission of Wisconsin, to oust the bureau companies on account of violations of the anti-discrimination laws of the state. The principal specific charges were some thirty cases of alleged discrimination in classification and rating, and certain specific rates in the manual in which discrimination against the state of Wisconsin was alleged. The bureau defended itself successfully at the hearing.

Since then, it is reported, Wisconsin conditions have been reasonably stable, because the authorities have been cooperating with the bureau in the application of schedule rating, and the stamping of compensation risks. A compensation rating and inspection board similar to those of New York and Massachusetts has been recently established.

ASSOCIATED COMPANIES

The "Associated Companies" is an independent organization of ten bureau companies operating as a syndicate to write coal-mining risks, which are too hazardous for one company to handle. This association was formed in 1915, to satisfy the insistent demand for coal mine coverage which had proven so hazardous for individual companies, that the coal operators were practically unable to obtain insurance. A schedule rating system was worked up by the bureau, and safety standards developed, in co-operation with the Federal Bureau of Mines. The scheme is based upon a system of superior inspection service for prevention of coal mine accidents.

The association manages its own affairs, independently of the bureau. Each of the companies assumes an equal percentage of the losses on each policy written, and receives an equal percentage of the premium, although the policies are written by the individual companies.

The association has not been operating long enough to furnish reliable indications of its success or failure. The success of the underwriting of extra hazardous risks, involving the joint and several undertaking, is yet to be demonstrated, apparently.

AFFILIATIONS

In carrying on its various activities, the bureau co-operates with a number of different organizations throughout the country. It unites with the National Automobile Underwriters Conference (the organization of fire insurance companies) in the gathering of information for automobile collision and property damage rate-making, and in the maintenance of rates for these two lines.

In carrying on its accident prevention campaign, it joins its efforts with those of the various safety organizations like the National Safety Council, and Manufacturers' Associations. In developing its safety standards for the schedule rating system, it co-operated with the Federal Bureau of Mines, with the United States Bureau of Standards and with various state labor departments. Moreover, all safety devices submitted to the bureau for approval are referred for testing purposes to the Underwriters' Laboratories at Chicago, toward which the bureau stands in a special advisory relation. Probably the most important co-operation is that obtained in the making of compensation rates and in the application of the schedule rating system, as has been explained. The bureau has taken a leading part in obtaining the union of the various interests involved in this work, namely state interests, stock company and mutual interests and state fund interests. The constant aim, apparently, has been that of uniformity and collective action along all these important lines, and considerable success has been achieved.

STATISTICS

The constitution of the bureau provides for a Central Statistical Committee composed of the statisticians and actuaries of all company members. This was found too unwieldy in actual practice. Hence the following four sub-committees were substituted:

1. Statistical sub-committee on the Compensation statistical plan.
2. Statistical sub-committee on the Automobile statistical plan.
3. Statistical sub-committee on Calls for Experience.
4. Sub-committee on General Liability statistical plan.

The committee on the Compensation Statistical plan controls the statistical procedure involved in the compilation of workmen's

compensation experience. A plan has been installed in the statistical departments of company members whereby compensation statistics can be obtained in a uniform manner. This system involves the use of the Hollerith punch card machines, together with a system of codes as follows:

1. Manual Classifications Code.
2. Working Machine Code.
3. Occupational Disease Code.
4. Cause of Injury Code.
5. Nature of Injury Code.
6. Duration of Disability Code.
7. Kind of Benefit Code.

The work of gathering information in accordance with these codes is done by the company members. The results are combined by the statistical department of the bureau.

The sub-committee on the Automobile Statistical plan is charged with the compiling of automobile statistics. During the year 1916 this committee completed a plan for reporting automobile statistics by company members, which does for the automobile business what the compensation plan does for compensation business. As has been stated, this plan has been adopted by the National Automobile Underwriters Conference. (See Automobile Rate Schedules.)

The third sub-committee deals with all the matters involved in the various calls on company members for statistical experience — both by the bureau and by insurance departments. This committee has been engaged in securing uniformity in methods of reporting experience.

The sub-committee on General Liability Statistical plan is similar to those with regard to the Compensation Statistical plan and the Automobile Statistical plan.

During 1916, the statistical department of the bureau participated in a conference on working machine statistics, together with the New York Industrial Commission, and several mutual and stock casualty companies. The result was the production of a comprehensive working machine code for classifying accidents caused by working machines.

The statistical department is engaged in investigating the statistical procedure of the bureau companies, in assisting in the

reorganization of the statistical departments of such companies, and in standardizing as far as possible, the preparation of statistics by company members.

COMPETITION AND ATTITUDE TOWARD COMPETITORS

Although not set forth in the constitution as one of its objects, the elimination of competition in rates has been one of the most important of bureau activities. Constant efforts have been made to induce non-conference companies to join with the bureau or at least to maintain rates and uniform underwriting practices. The establishment of the branch bureau system gave such companies an opportunity to do so in certain restricted territory, without obligating themselves to live up to bureau rules throughout the country. Several companies have taken advantage of this, thereby eliminating considerable disturbance in a number of competitive centers. By invitation, committees from non-bureau companies have appeared before the bureau and taken part in discussions which have led to agreements to maintain rates and observe uniform underwriting practices.

As a matter of fact, the manager of the bureau is convinced that the interests of compensation insurance and of the stock companies, are best conserved by a union of all insurance carriers—stock companies, mutuals and state funds—in the standardization of rates and underwriting practices. This conviction has resulted in a movement on the part of the bureau to organize a mutual section through which mutual companies can become members and so co-operate in the work of the bureau. The problem is to preserve the divergent interests of the two forms of insurance, and at the same time secure uniformity of action in matters of principle. Nothing definite along this line has been accomplished, but the National Association of Mutual Casualty Companies has been approached, and the matter is under consideration.

In several instances, however, all the strenuous efforts on the part of the bureau committees to secure the co-operation of non-conference companies, have failed. The results have been the breaking out of general rate wars involving entire lines of business in wide territories. In such cases bureau members are obli-

gated to act as follows: They must maintain bureau rules and rates, or voluntarily resign from membership, or ask for relief from the general manager, who in turn, refers the matter to the Board of Referees. After an investigation, the board may order the members to adhere to bureau rates and regulations, or may modify such rules to enable the members to meet the competitive situation; or they may suspend all bureau rates and rules as to the line or territory involved, and permit the members to meet the competition in any manner or to any extent they may desire. In accordance with this latter procedure, automobile rules and rates were suspended in 1916 to meet the widespread competition of non-conference companies in Missouri, as hereinbefore explained. But the bureau uses such a remedy only as a last resort, when all other methods for adjusting the difficulty have failed. The purpose of this whole procedure is to prevent individual members from taking matters into their own hands whenever a general competitive situation arises.

CONCLUSION

The principle of compensation for industrial accidents has taken firm hold of this country in the last five years. During the early part of this period, the stock liability companies had to struggle against a determined effort on the part of state legislatures to shut them out of the compensation business entirely. This was due to the companies' more or less deserved reputation for harshness and injustice in fighting workmen's suits for damages under employers' liability policies. A compromise arrangement was reached in most cases by the establishment of subsidized state funds and of mutual companies, as competitive factors.

The necessity for collective action in meeting these attacks and competing with state funds and mutuals, undoubtedly gave the bureau the strength to overcome many of the difficulties which had proven disastrous to the former liability conference. Moreover, the introduction of compensation carried with it the public demand that compensation insurance be regarded as a trusteeship for the benefit of injured workmen and their dependents. This proved a more or less stabilizing influence in the whole field.

The period covered by this examination was one of constructive and scientific compensation rate-making, and expansion of regula-

tory activities. Sincere efforts have been made and are being made, to promulgate right rates, to establish and enforce underwriting rules, and control commissions. Nevertheless, the experience of the bureau during this period, indicates the constant necessity for temporizing in the adjustment of the diverse interest of the competing company members. Because of this, the effective control of rates, commissions and underwriting practices has often been endangered, in the absence of effective authority to punish rule-breakers. The strength of an organization like the bureau necessarily depends upon the sacrifice of some individual freedom and individual retaliatory powers on the part of company members. In several instances, where a company has refused to sacrifice this freedom of action, and has violated bureau rules to gain a competitive advantage, the bureau has found itself powerless to protect its other members because of its unwillingness to drive a recalcitrant company out of the fold. It was assumed that this would only stir up a rate war and make matters worse. The main bureau problem for the future, therefore, seems to be the creation and exercise of adequate means for enforcement of its rules — particularly with regard to agencies and commissions.

In addition to this, as has been explained, a more scientific rating system for liability states seems to be necessary. Public liability rates in the liability manual should be revised to conform to those in the compensation manual. More equitable automobile liability rates should be promulgated, and special rates for this class of business should be made to conform more closely to the true hazards of the individual risk.

A study of the bureau experience seems to indicate that effective control can only be exercised with the assistance of the State and the trend undoubtedly seems to be in that direction. In an increasing number of states which have so-called "adequate or minimum rate" laws for compensation, compensation rating boards have been established in which membership on the part of all compensation carriers, is practically compulsory. In some of these states, the bureau's rating and inspection organization has been used. In others, it has been superseded by an independent body. In any event, the necessity of requiring competing companies to live up to adequate rates, has compelled a number of states to assume the regulatory activities practiced by the bureau. The energies of the bureau therefore are, in many instances, con-

fined to the actual making of rates, the power devolving upon the states to enforce such rates and to compel the observance of underwriting and commission rules.

STATE INSURANCE FUND

NEW YORK CITY

Examined to ascertain condition June 30, 1916.

Report dated April 6, 1917.

Examiner: W. A. Billingham.

Section 106 of the Compensation Law (added by chapter 622 of the Laws of 1916) reads as follows:

“Reports of state insurance fund; examination by insurance department.—The commission shall make reports to the superintendent of insurance concerning the state insurance fund at the same times and in the same manner as is required from mutual employers' liability and workmen's compensation corporations by section one hundred and ninety-two of the Insurance Law, and the superintendent of insurance may examine into the condition of such state insurance fund at any time, either personally or by any duly authorized examiner appointed by him, for the purpose of determining the condition of the investments and the adequacy of the reserves of such fund.”

The State Insurance Fund is not subject to the provisions of the Insurance Law, excepting with respect to the character of its investments and the filing of reports.

HISTORY AND ORGANIZATION

The fund was created by section 90 of the Workmen's Compensation Law, which constitutes a part of chapter 816 of the Laws of 1913 and chapter 41 of the Laws of 1914, for the purpose of underwriting workmen's compensation insurance. It commenced business on July 1, 1914, the date when the New York Compensation Law became effective.

From July 1, 1914, until June 1, 1915, the affairs of the fund were administered by the State Workmen's Compensation Commission. The Legislature of 1915 abolished the Workmen's Compensation Commission and created the State Industrial Commission, to which was delegated the duty of administering the affairs of the fund. The new Commission accordingly assumed

the administration of the fund on June 1, 1915, retaining the former manager, Mr. F. Spencer Baldwin, and also the former actuary, Mr. Joseph H. Woodward.

The present membership of the Commission is as follows: John Mitchell, chairman; Edward P. Lyon, Louis Wiard, James M. Lynch, Henry D. Sayer.

FINANCIAL STATEMENT

The following statement shows the fund's income and disbursements from the date it commenced business, July 1, 1914, to June 30, 1916, and its assets and liabilities on the last named date.

<i>Income</i>	
Net written premiums.....	\$2,831,638 58
Interest:	
On investments.....	\$73,788 37
On bank deposits.....	9,053 99
Total interest.....	82,842 36
Sale of rate manuals.....	15 00
Total income.....	\$2,914,495 94
<i>Disbursements</i>	
Loss payments	\$679,640 65
Dividends to policyholders	505,836 57
Bank exchange	899 95
Premiums charged off	230 96
Miscellaneous	17 90
Total disbursements	1,186,626 03
Balance	\$1,727,869 91
<i>Ledger Assets</i>	
Book value of bonds.....	\$1,495,553 88
Cash	95,556 03
Policyholders accounts:	
Debit balances	\$132,478 82
Credit balances	19,180 65
Net debit balances	113 298 17
Interest accrued:	
On bonds	\$22,805 01
On bank deposits	657 02
	23,462 03
Total ledger assets	\$1,727,869 91

Non-Ledger Assets

Audit additions	179,206 91
Market value of bonds over book value.....	27,766 32
Gross assets	\$1,934,843 14

Deduct Assets Not Admitted

Interest accrued on bonds, per ledger, in excess of actual amount accrued.....	\$2,133 33
Reserve for uncollectible policyholders' accounts	11,329 82
Total not admitted	13,463 15
Total admitted assets	\$1,921,379 99

Liabilities

Loss reserve	\$1,422,812 70
Deferred loss expense	42,684 38
Unearned premium reserve	79,441 88
Total liabilities	\$1,544,938 96
Catastrophe hazard surplus	\$187,609 84
Divisible surplus	188,831 19
Total surplus	376,441 03
Total	\$1,921,379 99

*Income**Premiums:*

All policies are issued for a period of six months, and contain a "Renewal of Insurance" paragraph. This paragraph provides that at the expiration of each six months' period the insurance shall automatically renew and continue in full force, unless the assured shall within thirty days before the expiration of the policy period have given written notice of intention to withdraw from the fund.

The policies also contain a "Premium and Readjustment" paragraph which provides that an "advance premium" computed upon an estimated payroll shall be paid. Such advance premiums are subject to such modification as may be deemed to be justified by the peculiar hazard of the individual risk, after inspection. Such premiums are also subject to such modification as may be necessary to reflect the actual payroll expenditure disclosed upon audit.

At the time this examination was made it was found that in many instances no actual audits of assureds' payrolls had been made. Premium adjustments of a tentative nature, however, had been made based upon sworn statements of the assureds themselves, and where actual payroll audits were subsequently made the premium charges are readjusted upon the basis of such audits.

The reason given for failure to make payroll audits in all cases is that the fund has been handicapped by lack of an adequate staff of employees to perform this work. This is a condition to be deplored and should be remedied as speedily as possible. It has probably already caused the loss of considerable premium income, and if continued will lead to constantly increasing losses. When policyholders learn that their own reports of payroll are accepted without question, the tendency toward understatement may be expected to increase.

In common with other compensation insurance carriers, the fund is a member of the Compensation Inspection Rating Board, and its premium charges are adjusted upon the basis of the rating inspections made by the board.

No systematic check was made of the premium income for any stated period, but during the course of the examination reference was had to many original applications, sworn payroll reports and audits for the purpose of verifying the premium accounts. In the opinion of the examiner a sufficient number of original papers have been compared with the books of accounts to establish the fact that with the exception of clerical errors the records are correct.

Interest:

The interest received on bond investments was checked with the schedule of such investments and was found to be correct.

The interest on bank deposits was checked with statements rendered by the State Treasurer, who is the custodian of the fund.

Disbursements

Losses:

The amount of disbursements for losses in the foregoing financial statement is the amount shown by the books of the State fund.

Payments are made by the cashier of the State Industrial Commission by means of drafts drawn upon the State Treasurer, signed by the cashier and two commissioners.

Typewritten lists of such payments, showing date, name of payee, and amount of draft, are prepared by the cashier and forwarded to the State Treasurer, a carbon copy being sent to the State fund, from which the fund's loss payment record is compiled.

The total payments shown by the cashier's record is \$2,139.15 more than that shown by the books of the fund. This difference is accounted for as follows:

- Items on cashier's lists not entered on fund's books;
- Items on fund's books not entered on cashier's lists;
- Errors in entering items on fund's books;
- Errors in addition.

With respect to items on the cashier's sheets not entered on the fund's books, in the majority of cases such items were for disbursements not properly chargeable against the fund, but to some other carrier.

No reconciliation has been made between the books of the fund and the cashier since June 30, 1915. This is a matter that should be adjusted at least once a month so that moneys withdrawn from the fund's bank deposits by drafts issued by the cashier through error may be adjusted without undue delay. If this is not done the Commission may find it difficult to make collections of such items from the insurance carrier to whom they are properly chargeable. It is suggested that errors of this nature might be avoided if the cashier were instructed to submit lists of proposed loss payments to the manager of the fund for his approval before the drafts were issued.

Ledger Assets

Bonds:

Section 93 of the Workmen's Compensation Law, as enacted in 1913, and re-enacted in 1914, vested the Commission with authority to invest the monies of the State fund in securities approved for savings banks, subject to the approval of the State Comptroller.

This section was amended by the Legislature of 1916 so as to require investments to be made in securities described in section 13 of the Insurance Law for deposits of insurance companies, or in real estate bonds and mortgages, subject to the approval of the Superintendent of Insurance.

It appears that all investments have been made in the kinds of securities prescribed by the statutes, and pursuant to resolutions duly adopted by the Commission. It also appears that since the 1916 amendment became effective all investments have received the approval of the Superintendent of Insurance.

With respect to securities purchased prior to June 1, 1916, which, under the statute, were required to be approved by the State Comptroller, I do not find that such approval was given except in one instance, when, under date of August 6, 1914, the State Comptroller approved the investment of \$400,000 in the bonds of the State of New York or the city of New York. It is only fair to the present management of the fund to state that these investments were made during the administration of the State Workmen's Compensation Commission, which was succeeded by the present State Industrial Commission.

Pursuant to the provisions of section 91 of the Compensation Law, which makes the State Treasurer the custodian of the assets of the fund, all investment securities have been forwarded to the treasurer as custodian.

The treasurer has furnished your examiner with his official certificate that on June 30, 1916, there were in his possession as such custodian the following securities:

<i>Description.</i>	<i>Par. value</i>	<i>Book value</i>	<i>Market value</i>
New York City Corporate Stock 4s Nov. 1, 1956.....	\$37,000	\$35,982 50	\$37,000
New York City Corporate Stock 4s May 1, 1959.....	138,000	133,665 00	138,000
New York City Corporate Stock 4½s Sept. 1, 1960.....	25,000	24,531 25	25,500
New York City Corporate Stock 4½s March 1, 1962.....	25,000	25,718 75	25,500
New York City Corporate Stock 4½s March 1, 1964.....	300,000	294,609 38	306,000
New York City Corporate Stock 4½s June 1, 1965.....	100,000	101,937 50	107,000

<i>Description.</i>	<i>Par value</i>	<i>Book value</i>	<i>Market value</i>
New York City Corporate Stock 5s July 1, 1919.....	175,000	178,937 50	180,250
County of Erie 4s May 1, 1843- 1846	75,000	76,849 88	76,500
City of Albany sewer bonds 4¼s June 1, 1955.....	45,000	45,506 25	48,150
City of Albany river improvement bonds 4¼s June 1, 1955.....	5,000	5,056 25	5,350
City of Batavia bonds 4¼s Jan. 1, 1929-1936	70,000	72,926 00	72,100
City of Mt. Vernon bonds 4¼s May 1, 1956-1963.....	55,000	58,442 65	58,300
Village of Dobbs Ferry bonds 4.40s Aug. 1, 1928-1944.....	100,000	101,496 83	103,380
City of Mt. Vernon bonds 4½s May 2, 1953-1955.....	50,000	55,942 82	55,000
City of Niagara Falls bonds 4½s Jan. 1, 1949-1951.....	33,000	36,377 67	35,640
St. Lawrence County bonds 4½s Jan. 1, 1935-1938.....	50,000	51,517 45	52,700
Westchester County sewer bonds 4½s Jan. 1, 1949-1954.....	100,000	109,471 00	110,600
Town of Minden, N. Y., school bonds 5s Nov. 10, 1926-1938...	50,000	54,440 00	54,270
Town of North Hempstead school bonds 5s Sept. 1, 1920-1934...	30,000	32,145 00	32,080
Totals	\$1,463,000	\$1,495,553 68	\$1,523,320

The market values as of June 30, 1916, have been computed upon quotations furnished by the Insurance Department's audit bureau. The excess of market value over book value has been included in the foregoing financial statement as a non-ledger asset.

In accordance with section 91 of the Compensation Law, the State Treasurer has given the Commission a bond of \$100,000 conditioned upon the faithful performance of his duties as custodian of the State fund. Such bond is in the custody of the State Comptroller.

Cash:

The amount of cash assets shown by the books of the fund is \$95,556.03.

The books of the cashier of the commission, by whom the

cash transactions of the fund are handled, show a balance of \$96,864.21, made up as follows:

In custody of State Treasurer, per his official certificate.....	\$22,600 49
On deposit in bank in the name of the Commission, to the credit of the fund, per bank's certificate.....	74,263 72
Total	<u>\$96,864 21</u>

It will, therefore, be observed that the actual asset is \$1,308.18 more than shown by the fund's books, from which the foregoing financial statement was compiled. Credit has been given for the amount shown by the fund's books rather than the cashier's.

As previously stated, no reconciliation has been made between the cashier's books and the fund's books since June 30, 1915, when it was found that several items of income appeared on the cashier's books that were not recorded in the fund's books. It is, therefore, probable that this discrepancy of \$1,308.18 is due, in part at least, to the same cause, and when a reconciliation is effected any such items will be entered as income upon the books of the fund. The importance, therefore, of a frequent reconciliation between these two sets of books is obvious, since the books of the fund cannot otherwise show its true financial condition.

Attention is particularly called to the balance of \$74,263.72 on deposit in bank. It is the practice of the Commission to deposit premium collections in bank in its own name and to make remittances therefrom from time to time to the State Treasurer as custodian.

I am unable to find any provision in the law conferring authority upon the Commission to deposit State fund moneys in its own name. Section 91 of the Compensation Law provides that "the State Treasurer shall be the custodian of the State Insurance Fund." It is, therefore, recommended that hereafter all moneys of the fund be deposited in bank in the name of the State insurance fund, subject to the order of the State Treasurer as custodian.

Interest is received on bank balances in the custody of the State Treasurer at the rate of 3 per cent. No interest is received on bank balances in the custody of the Commission.

Policyholders' Accounts:

This item, as shown by the controlling account in the fund's ledger, is \$113,298.17, and this amount was reported to the Insurance Department in the quarterly statement filed by the fund showing its financial condition June 30, 1916. An analysis of the individual premium accounts shows that in arriving at this amount there had been deducted credit balances aggregating \$19,180.65, and that the total debit balances aggregated \$132,478.82.

The individual premium accounts are kept on ledger cards, and for the purpose of determining whether the general ledger control account was correct these cards were examined and the open balances listed. It was found that the total shown by the cards was \$359.73 less than the amount shown by the general ledger account. I am informed that the accounting department of the fund has not reconciled the individual premium cards with the general ledger since July 1, 1915. The reason assigned for failure to perform this necessary work was a lack of sufficient clerical help. Manifestly, this is a very necessary function of the accounting department, and unless it is performed at frequent intervals it will probably cause a loss of premium income.

It is impossible to determine from the individual premium cards the date upon which a given premium charge was entered upon the books, the only date appearing upon the cards being the effective date of the policy.

For example, card No. 4412 shows the following charges:

No. 1.....	Jan. 1, 1916.....	Continued premium.....	\$28,726 88
No. 2.....	Jan. 1, 1916.....	Audit addition.....	22,944 07
No. 3.....	Jan. 1, 1916.....	Audit addition.....	1,224 96
No. 4.....	Jan. 1, 1916.....	Audit addition.....	564 58

Nos. 1 and 2 were charged in the premium journal in March, 1916; No. 3 was charged in June, 1916, and No. 4 in August, 1916. It is recommended that the date when premiums are charged upon the books be entered on the premium card as well as the effective date of the policy, so that the amount of outstanding premiums may be ascertained from the individual policyholder's premium cards. This could easily be accomplished by providing an additional date column on the card.

Accrued Interest:

The fund computes the interest accrued on its investment securities on June 30th and December 31st, and enters same in its books as a ledger asset. It was found that this item of \$22,805.01 carried on the books on June 30, 1916, should have been \$20,671.68. The difference of \$2,133.33 was due to errors in computation, and has been deducted as an asset not admitted in the foregoing financial statement.

The accrued interest on bank deposits was entered upon the books pursuant to advices received from the State Treasurer.

NON-LEDGER ASSETS

Audit Additions:

This asset of \$179,206.91 represents additional premiums, based upon policyholders' sworn statements and payroll audits, earned prior to June 30, 1916, but charged upon the books and paid subsequent to that date.

Market Value of Bonds Over Book Value:

Explanation is given under the caption of "Bonds."

ASSETS NOT ADMITTED

Reserve for Uncollectible Policyholders' Accounts:

This deduction of \$11,329.82 has been made pursuant to an agreement between the management of the fund and the Superintendent of Insurance. It is believed that ample provision is thus made for any losses which may be sustained from non-payment of premiums, as indicated by the experience of the fund under section 99 of the Workmen's Compensation Law, which provides as follows:

"Action for collection in case of default.—If an employer shall default in any payment required to be made by him to the state insurance fund, the amount due from him shall be collected by civil action against him in the name of the people of the state of New York, and it shall be the duty of the commission on the first Monday of each month after July first, nineteen hundred and fourteen, to certify to the attorney-general of the state the names and residences, or places of business, of all employers known to the commission to be in default for such payment or payments for a longer period than five days and the amount due from such employer, and it shall then be the duty of the attorney-general forthwith to bring or cause to be brought

against each such employer a civil action in the proper court for the collection of such amount so due, and the same when collected, shall be paid into the state insurance fund, and such employer's compliance with the provisions of this chapter requiring payments to be made to the state insurance fund shall date from the time of the payment of said money so collected as aforesaid to the state treasurer for credit to the state insurance fund."

Liabilities

The liabilities of the fund are made up of the following reserves:

	<i>Amount</i>	<i>Per cent of total</i>
For outstanding losses.....	\$1,422,812 70	92.1
For expense of settling deferred loss payments..	42,684 38	2.8
For unearned premiums.....	79,441 88	5.1
Total	<u>\$1,544,938 96</u>	<u>100.0</u>

As shown above, the principal reserve is for outstanding losses. Since the solvency of the fund depends primarily upon the adequacy of its loss reserve, the methods employed in computing it are of first importance. These are not specifically prescribed by law, but are under the control of the State Industrial Commission and are subject to approval by the Superintendent of Insurance. The development of rules for the computation of loss reserves has been conducted under the direction of Mr. J. H. Woodward, actuary of the fund and of the Commission.

Loss Reserves:

Reserves for future payments in fatal cases involving dependency are based upon actuarial calculations which take account of the probabilities of survivorship and remarriage and also the rate of interest. In like manner, future payments in cases of permanent disability involving life pensions are valued as annuities for the whole of life. Reserves for specific dismemberment benefits and for temporary disability and medical payments are calculated in accordance with certain rules hereinafter described.

In adopting this general system of reserve computation, the fund has departed from the rule laid down in the liability loss reserve law which is in force in several States, and which governs the reserves of joint-stock casualty companies in the State of

New York. Under its system the loss reserves of the State fund represent an actuarial appraisal of the outstanding claims and are independent of the rates of premium charged. Substantially the same system of computation has been adopted by the Superintendent of Insurance for the valuation of outstanding losses of mutual liability and workmen's compensation insurance corporations organized under the provisions of article 5-a of the Insurance Law.

Fatal Cases:

Under the New York compensation law death benefits are payable during widowhood, with additional sums to children until the attainment of age 18. The reserve for unpaid installments in such cases, therefore, involves the three elements, mortality, remarriage and interest. The actuarial department, after a special investigation of available statistics, adopted as standards the following basic tables and $3\frac{1}{2}$ per cent interest:

Mortality.—Table constructed by Mr. Christian Jensen from the experience of the Danish Statsanstalten for Livsforsikring (State Life Insurance Institution) among female beneficiaries under survivorship annuity contracts. As may be seen from the following comparison, this table indicates a low rate of mortality and for the valuation of annuity benefits produces conservative reserves:

COMPARATIVE EXHIBIT SHOWING PRESENT VALUE (AT $3\frac{1}{2}$ PER CENT) OF \$1.00
YEARLY PAYABLE FOR LIFE — FIRST PAYMENT ONE YEAR HENCE — ACCORD-
ING TO STATED TABLES.

<i>Age of beneficiary</i>	<i>Danish Survivorship</i>	<i>McClintock (female)</i>	<i>American Experience</i>
20	21.472	21.925	20.144
30	19.950	20.242	18.605
40	17.825	17.988	16.446
50	14.997	15.111	13.535
60	11.522	11.720	10.032

Remarriage.—Table published in 1914 by the Kingdom of Holland in a bulletin (Staatsblad No. 444), giving the experience of the Dutch Royal Insurance Institution (Rijkverzekeringsbank). This table was adopted by the fund for the following principal reasons:

(a) The table indicates a low rate of remarriage. It was deemed necessary, in the absence of American experience, to adopt a conservative remarriage assumption.

(b) The provisions of the Workmen's Compensation Law of Holland are identical with those of the New York law respecting payment of compensation to widows during widowhood and upon their remarriage.

The following brief table shows how the remarriage rate of the Dutch Royal Insurance Institution compares with remarriage rates deduced from other well-known experiences:

COMPARISON OF RATES OF REMARRIAGE AMONG WIDOWS

Age of widow	<i>Kingdom of Holland (Staatsblad No. 444)</i>	<i>British patriotic (Russian war) fund</i>	<i>United Kingdom (general population) 1896-1906</i>
	Initial Rate	Initial Rate	Central Rate
20.....	.1270	.1395	.1136
25.....	.0905	.1281	.1397
30.....	.0665	.1026	.1112
35.....	.0475	.0708	.0712
40.....	.0300	.0434	.0413
50.....	.0060	.0103	.0118
60.....	.0015	.0016	.0028

Permanent Total Disability Cases:

The reserve is the present value (at the attained age of the injured) of the annual compensation award computed according to the Danish Survivorship Annuitants' Mortality Table with $3\frac{1}{2}$ per cent interest.

Permanent Partial Disability—Dismemberment:

The reserve is the amount of the statutory benefit, less compensation already paid.

Permanent Partial Disability—Not Dismemberment:

The reserve is computed in the same manner as for permanent total disability.

Temporary Total Disability:

The reserve for open cases, that is, cases where the injured employee has not recovered or returned to work, is computed

upon the basis of a table derived from statistics as to duration of temporary disability in Massachusetts and other States. (See Vol. II, p. 200, of Proceedings of the Casualty Actuarial and Statistical Society.)

The reserve for temporary total cases upon which the disability has terminated, but compensation has not been paid, is the amount of compensation accrued.

In all the foregoing classifications, excepting fatal cases, there is added an estimate to cover what is termed "suspended mortality." The purpose of this additional reserve is to make provision to cover death losses which may subsequently develop. It amounts to one-eighth of the compensation estimated to accrue after the valuation date.

Medical Aid, Compensable Cases:

The reserve for these cases is the amount accrued and unpaid on the valuation date, when known. If unknown, a reserve of \$30 is charged.

Medical Aid, Non-Compensable Cases:

The reserve is the amount accrued and unpaid on the valuation date, if known. If unknown, a reserve of \$10 is charged.

For the purpose of showing whether the reserves carried by the fund for outstanding losses have been adequate or not the following table is presented:

TABLE I—EXHIBIT OF LOSS RESERVES AND INCURRED LOSSES

TABLE I—EXHIBIT OF LOSS RESERVES AND INCURRED LOSSES

[illegible]

The incurred losses consist of:

(a) Payments made prior to valuation date; and

(b) Reserves for outstanding losses upon the valuation date.

It is, therefore, necessary, in order to determine whether or not the loss reserves upon a given valuation date were adequate or not, to institute a comparison of the incurred losses of a given period at different valuation dates.

For convenience, the losses have been grouped according to the half-yearly calendar period in which they were incurred.

For example, the fund's estimate on December 31, 1914, of losses incurred up to that time was \$404,246; its estimate on June 30, 1915, of the same losses was \$426,208; its estimate on December 31, 1915, was \$361,517.08, and on June 30, 1916, \$333,143.06. The examiner's estimate of the same losses as of June 30, 1916, was \$326,075.06. It would, therefore, appear that the fund's estimates of the incurred losses for this period, and, therefore, its reserves, were at all times more than adequate.

With respect to losses incurred from January 1, 1915, to June 30, 1915, it will be seen that the fund's estimate on the latter date was \$338,507; on December 31, 1915, \$362,128, and on June 30, 1916, \$352,138.05. The examiner's estimate as of June 30, 1916, was \$340,634.05. It would, therefore, appear that the fund's original reserve for the losses of this period was approximately adequate, and that thereafter it was more than adequate.

With respect to losses incurred from July 1 to December 31, 1915, the fund's original estimate of incurred losses was \$490,580. This was increased to \$687,158 on June 30, 1916, while the examiners' computation upon the same date was \$663,426. It will thus be seen that while the fund's original reserve for this period was inadequate, it was increased upon the next valuation date to an amount which was apparently more than adequate.

With respect to losses incurred from January 1 to June 30, 1916, the fund's estimate of incurred losses upon the latter date was \$712,795, whereas the examiners' figures, which trace claim developments down to December 31, 1916, are \$771,426, thus indicating an inadequacy in the reserve for the period of \$58,631.

It would, therefore, appear from the summary in the foregoing

table that the fund's June 30, 1916, reserves were, on the whole, approximately adequate, the excess charged by the examiners over the fund's figures being \$16,327, a difference of only a little more than 1 per cent.

The difference between the total loss payments shown in the financial statement (\$679,640.65) and the total loss payments shown in Table I (\$678,748.41) of \$892.24 is due to the fact that losses in this sum have been paid and carried in suspense because the nature of disablements was not known.

Deferred Loss Expense Reserves:

This item of \$42,684.38 is for the purpose of meeting the expenses that will be incurred by the fund in liquidating its outstanding losses. It is estimated that these expenses will amount to 3 per cent of said losses, and that percentage has been used in computing this liability.

Unearned Premium Reserves:

This item of \$79,441.88 has been computed upon the monthly pro rata basis.

CATASTROPHE HAZARD SURPLUS

Section 92 of the compensation law provides that the fund shall accumulate a catastrophe hazard surplus based upon the amount of its premiums. This surplus is required to be accumulated at the rate of 10 per cent of the premiums until it amounts to \$100,000, and 5 per cent thereafter until such time as in the judgment of the Commission it is sufficiently large to cover the catastrophe hazard.

The amount of such surplus on June 30, 1916, was \$187,609.84, computed as follows:

Premiums written	\$2,831,638 58	
Less unearned	79,441 88	
	\$2,752,196 70	
10% on \$1,000,000 00	\$100,000 00	
5% on 1,752,196 70	87,609 84	
	\$2,752,196 70	\$187,609 84

PREMIUM RATES

Section 95 of the compensation law provides that the Commission shall fix the premiums of the fund at the lowest possible rate consistent with the maintenance of solvency and the creation of a reasonable surplus and reserves.

No authority is vested in the Superintendent of Insurance to approve the fund's rates as adequate, as is the case with mutual and stock companies.

The rates originally promulgated were effective from July 1, 1914, to January 1, 1915, and on the whole averaged about 8 per cent less than the rates of other insurance carriers.

A new manual was adopted on January 1, 1915, which provided increased rates for a few classifications, but in general produced rates about 20 per cent below those of other carriers.

In September, 1916, another revision of rates was made to become effective January 1, 1917. At this time the manual of classifications used by the stock and mutual companies was adopted, together with the general basis of their rates. A flat reduction of 10 per cent below the private companies' rates was applied to the State fund schedule, with exceptions for certain classifications which had become unprofitable or which had developed sufficient experience to determine their own rates.

AGGREGATE TRUST FUND

Section 27 of the compensation law vests authority in the Commission to require payment by all insurance carriers and self-insurers to the State fund of an amount equal to the present value of all unpaid compensation upon claims where the nature of the injury makes it possible to compute same, such moneys to constitute an "aggregate trust fund." The section further provides that when such a payment is made the liability shall be assumed by the trust fund so created.

Pursuant to these provisions of law, the Commission adopted rules requiring the payment to the fund of present value of death claims by all mutual companies and self-insurers.

Up to December 31, 1916, such payments had been made in the aggregate sum of \$602,229.13, and compensation installments had been paid therefrom in the sum of \$25,436.05.

The constitutionality of section 27 was challenged by the New York, Ontario and Western Railway Company in the Adams case on the ground that it was not "possible to compute present value of future payments with due regard for life contingencies," and the contention of the appellant was sustained by the Third Department of the Appellate Division of the Supreme Court and also by the Court of Appeals.

The Commission has, therefore, adopted a resolution providing for repayment to the various insurance carriers and self-insurers of the amounts of their respective equities in such aggregate trust fund.

SUMMARY OF RECOMMENDATIONS

1. That all policyholders' payrolls be audited by a representative of the fund as soon as possible after the expiration of each half-yearly policy period.

2. That a monthly reconciliation be made between the books of the fund and the books of the cashier.

3. That drafts upon the State Treasurer, as custodian of the fund, be not issued until approved by the manager of the fund.

4. That all moneys of the fund be deposited in bank in the name of the State Treasurer as custodian.

5. That the fund be required to effect a reconciliation between its individual ledger accounts and its general ledger premium account at least monthly.

6. That the office staff of the fund be augmented to such an extent as may be necessary for the efficient conduct of its affairs.

FEES AND TAXES
Charged New York Insurance Companies by
Insurance Departments of Other States
1919

The circular of FEES AND TAXES carried in this volume shows the charges of the various states and territories for the year 1919. Heretofore Part V has carried the charges for the year of the volume.

[901]

NOTE

Following are abstracts of letters received by the New York Insurance Department during 1918 from Insurance Superintendents, Commissioners or other officials charged with insurance supervision in the several States, setting forth in detail the fees and taxes imposed by the provisions of their insurance laws, and which will be collected from the various insurance companies, associations and societies of New York during 1919. This Department is informed that no discretionary power is vested in such officials to reduce or remit these charges, except where so indicated.

FEES AND TAXES

REQUIRED BY LAWS OF THE STATE OF NEW YORK, TO BE PAID BY
INSURANCE COMPANIES

Fees

Foreign insurance companies (of other countries) are required to pay the following:

Filing declaration and certified copy of charter.....	\$30 00
Filing annual statement	20 00
Certificate of authority to company.....	2 00
Certificate of deposit, valuation or compliance.....	5 00

Copy of records, 10 cents per folio and \$1 for seal.

Other states insurance companies: Retaliatory provisions govern all fees.

(Authority to remit all fees is vested in the Superintendent of Insurance of the State of New York and they are remitted when like consideration is shown New York companies by other States.)

Taxes

Agents of foreign fire insurance companies (other states and countries) are required to pay to the treasurers of fire departments 2 per cent. of their gross receipts for insurance against loss or injury by fire, upon property located within the fire limits of cities and villages having fire department. (Section 133 of the Insurance Law and the charters of New York and Buffalo.)

Foreign fire insurance companies of other countries pay, in addition to the preceding, a franchise tax of five-tenths of 1 per cent. of gross premiums received in the state, less premiums refunded to policyholders as dividends or on cancellation and return of policies, and amounts paid as reinsurance to such other companies as are subject to taxation under this section; a report to be filed with the State Tax Commission on or before March 1st and payment made to the State Comptroller on or before June 1st. (Section 187, Tax Law.)

Foreign marine insurance companies of other states and countries, 2 per cent. of gross receipts in this state, less reinsurance in companies liable for the tax, payable to the Superintendent of Insurance. (Section 34, Insurance Law.)

Foreign marine insurance companies of other countries are required, in addition to the preceding, to pay a franchise tax of five-tenths of 1 per cent. of gross premiums received in the state, less premiums refunded to policyholders as dividends or on cancellation or return of policies, and amounts paid as reinsurance to such other companies as are subject to taxation under this section; a report to be filed on or before March 1st with the Tax Commission and payment to be made on or before June 1st to the State Comptroller. (Section 187, Tax Law.)

Foreign life insurance companies of other countries, 1 per cent. of gross receipts to the Superintendent of Insurance. (Section 34, Insurance Law.)

Foreign casualty companies of other countries, 2 per cent. of their gross premium receipts to the Superintendent of Insurance. (Section 34, Insurance Law.)

Domestic fire and marine insurance companies, domestic and other state life and casualty insurance companies, 1 per cent. of gross premiums received in the state, less premiums refunded to policyholders as dividends or on cancellation or return of policies, and amounts paid as reinsurance to such other companies as are subject to taxation under this section; a report to be filed on or before March 1st with the Tax Commission and payment to be made to the State Comptroller on or before June 1st. (Section 187, Tax Law.)

In collecting taxes under reciprocal law (Section 33) *credit* is given to fire insurance companies for *taxes paid* by their agents to *fire departments*; also, in collecting taxes under reciprocal law from life and casualty companies, *credit* is given for *taxes paid* to the State Comptroller.

Other state mutual fire insurance companies, admitted to do business in this state by the provisions of Section 149 of the Insurance Law, are required to pay to the Superintendent of Insurance 1 per cent. of their gross premiums or assessments for insurance of property in this state. This tax is in lieu of all others.

FEES AND TAXES

IMPOSED BY OTHER STATES ON NEW YORK STATE COMPANIES

(It is understood that the following charges are minimum, the superintendents, commissioners or other officers in charge of the various states having no authority to remit, except where so indicated.)

Alabama

Fees

Company's license, renewable annually.....	\$101 00
Agent's license, each member of firm and solicitor.....	5 00
Permit, secretary of state.....	10 00

Fees not prorated.

*Taxes**Fire and Marine Companies:*

One and one-half per cent. of gross premiums received in the state, less return premiums and reinsurance in authorized companies. Fire Marshal tax: one-fifth of one per cent. on gross premiums, less return premiums only.

Life and Miscellaneous Companies:

Two per cent. of gross premiums received in the state or out of the state for business done in Alabama, payable March 1st.

Flat privilege or license tax for first year's business, \$500.

After the year 1915, no license or privilege tax, or other charge for the privilege of doing business shall be imposed by any municipal corporation upon any fire or marine insurance company doing business in such municipality, except upon a percentage of each \$100 of gross premiums less return premiums on policies issued during the preceding year on property located in such municipality; provided that such percentage shall not exceed \$4 on each \$100 and major fraction thereof of such gross premiums; and no credit or deduction of any kind shall be allowed or made on account of the cost of reinsurance taken by such company in a company not authorized to do business in this state; provided, however, that any municipality may charge a flat minimum license at the beginning of each year for new companies doing business therein on which there shall be an adjustment at the expiration of such year upon such percentage basis as may be fixed by said municipality; and provided further that such percentage shall not exceed four per cent. of the gross premiums, less return premiums, collected by such companies on policies issued during the preceding year in such municipality.

And in addition to said amount paid the state, there may by an ordinance be levied and collected by the several cities and towns of the state from every insurance company other than fire and marine insurance companies, for the privilege of doing business within the limits of said cities and towns, a privilege or license tax, to be computed and based on the population of said cities, and towns as fixed by the last federal census, not exceeding the following scale, to wit:

(a) Each such insurance company in cities and towns having a population of 5,000 or less, \$10, and \$1 on each \$100 and major fraction thereof, of the gross premiums, less return premiums, received during the preceding year on policies issued during said year to citizens of said cities and towns.

(b) Each such insurance company, in cities and towns having a population of 5,000 and not over 10,000, \$15, and \$1 on each \$100 and major fraction thereof, on gross premiums, less return premiums, received during the preceding year on policies issued during said year to citizens of said towns and cities.

(c) Each such insurance company, in cities and towns having a population of 10,000 and not exceeding 50,000, \$20, and \$1 on each \$100 and major fraction thereof of gross premiums, less return premiums received during the preceding year on policies issued during said year to citizens of said cities and towns.

(d) Each such insurance company, in cities and towns having a population of more than 50,000, \$50, and \$1 on each \$100 and major fraction thereof of gross premiums, less return premiums received during the preceding year on policies issued during said year to citizens of said cities and towns. Upon the payment or tender of the amount named in such ordinance of any city or town, any such insurance company which is authorized to do business in this state shall be permitted to do business in said city or town, through its agents, who shall not be subject to or required to pay further privilege or occupation tax for representing such company or soliciting business for it. On the 31st day of December of each year, or within sixty days thereafter, each insurance company which did any business in any city or town in this state during any part of the preceding year shall, if a license or privilege tax is imposed by said city or town on such insurance companies, furnish the mayor or executive head of such city or town a statement in writing duly certified, showing the full and true amount of gross premiums, less return premiums, received during the preceding year, as provided under this act, and shall accompany such statement with the amount of license due according to the foregoing schedule. Failure to furnish such statement, or to pay such sum, shall subject the company and its agents to such penalties as the ordinance of such city or town may prescribe for doing business therein without a license.

Mutual Aid Associations

Fees:

License \$101 00

Taxes:

Two per cent. of premiums received; retaliatory provisions for greater charges by other states; payable March 1st.

Publication

Abstracts of statements required to be published in a newspaper of general circulation. Publication to be at expense of company, and can be done by company direct or the department will place such advertising. The usual charge for same is \$10. No statute fixes such charge.

Alaska*Schedule of Fees*

Fees to be paid in advance, effective July 28, 1915, under chapter 11, 1913, S. L.; chapter 54, 1915, S. L. and chapter 23, Compiled Laws of Alaska, for the following:

Domestic:

Filing and recording articles of incorporation.....	\$25 00
Filing and recording amendatory or supplemental articles.....	10 00
Filing and recording certificate of increase or decrease of capital stock	10 00
Filing and recording certificate of dissolution	5 00
Filing and recording any other document	5 00
Filing annual report (Chap. 58, 1913, S. L.)	2 50
When recording is in excess of 20 folios, additional charge (per folio)	15

Foreign:

Filing certified copy articles of incorporation with financial statement	25 00
Filing appointment and consent of agent.....	5 00
Filing amendatory or supplemental articles.....	10 00
Filing certificate of increase or decrease of capital stock.....	10 00
Filing certificate of dissolution.....	5 00
Filing annual statement	1 00
Filing any other document.....	5 00

Domestic and Foreign:

For furnishing certified copy of any document.....	5 00
If in excess of 20 folios, additional charge (per folio).....	15
Issuing certificate with seal affixed.....	2 00
For annual license fee.....	15 00
Penalty for failure to pay license fee on or before January 1.....	2 50
Penalty to be paid by delinquent corporations for reinstatement (all license fees and penalties due and a further penalty as provided by section 9, chapter 11, 1913, S. L.)	
For certificate of payment of license fee.....	25

Insurance Companies:

Filing original certificate of qualifications.....	25 00
Filing power of attorney.....	5 00
Filing annual certificate of qualifications (before March 1).....	15 00
Penalty for failure to file annual certificate before March 1.....	2 50

Miscellaneous:

Filing articles of incorporation of benevolent, fraternal, religious, social, etc., associations	5 00
Filing amended articles	2 50
Observe Revenue Stamp Act.	

Insurance agents in Alaska have to pay a license of \$25 per year. This is a flat rate and covers all the business an agent may do without regard to the number of companies he may represent. There is no certificate authorizing him to represent any particular company. His general license, for which he pays \$25, covers all companies, and he has nothing further to pay. This license fee is collected by the Clerk of the Court in the different divisions of the territory.

Taxes

One per centum of gross premiums — fire and marine insurance companies — less return premiums to policyholders and reinsurance premiums paid to authorized companies.

Life insurance companies, one per cent. (1%) of gross premiums, less reinsurance premiums paid to admitted companies.

Arizona*Fees:*

For filing articles of incorporation	\$25 00
For filing amendments of articles of incorporation.....	10 00
For issuing certificate of authority.....	50 00
For each renewal of certificate of authority.....	30 00
For filing annual statement and report of Arizona business.....	25 00
Registration fee	15 00
For copies of papers, per folio.....	20
For filing other miscellaneous papers (each).....	1 00
For each agent's license, firms and corporations.....	2 00
For filing power of attorney, service of process.....	5 00

Taxes.—Two per centum of all premiums collected or contracted for in the state, less amount paid to policyholders as return

premiums and amount paid as premiums to admitted companies for reinsurance on business of the state. Tax statement must be filed not later than March 1st. Tax must be paid not later than April 1st.

All fees and taxes subject to retaliatory law.

Arkansas

All Companies:

Filing copy of charter.....	\$15 00
Filing annual statement	10 00
Certificate of authority	2 00
Agent's license (one to each soliciting member of a firm).....	2 00

Taxes.—Life and casualty companies pay into the treasury a tax of 2 per cent. on gross premium receipts, whether such premium receipts be in cash or in the shape of notes or other evidences of credit. Fire companies pay into the treasury a tax of 2 per cent. on gross premium receipts after deducting return premiums and authorized reinsurance only; payable March 1st.

Annual Franchise Tax:

All companies with outstanding capital less than \$500,000.....	\$100 00
All companies with outstanding capital of \$500,000, or more.....	200 00
Mutual companies with no capital.....	100 00

There is a penalty of 25 per cent. if franchise tax is not paid on or before August 10th.

Copy of records, 20 cents per folio and \$1 for seal.

No publication required, but it is the practice of the department to publish a brief annual report showing the assets and liabilities, business written, renewals, cancellations and business in force at the end of previous year. State pays for this. Two per cent. on gross premium is in lieu of all other taxes, state, county or municipal.

California

Fees:

Filing certified copy of charter or articles of incorporation and certificate as to organization and capital and assets.....	\$55 00
Filing annual statement.....	20 00
For filing amendment to articles of incorporation.....	10 00

Filing appointment of general agent and stipulation for service of process	5 00
Filing bond of company	5 00
For issuing annual certificate of authority.....	10 00
Agent's license (each agent and solicitor).....	1 00
Filing certificate of deposit of companies organized outside of the United States only	5 00
Issuing certificate of deposit.....	5 00
For furnishing copies of papers, per folio.....	20
For certifying to copies of papers.....	1 00
For registering each policy.....	25
For attaching seal of office to any paper or document (not above specified)	1 00
For issuing any other certificate.....	2 00
For issuing broker's license.....	10 00

Taxes.— All companies 2 per cent. of gross premiums received in the state, less return premiums and reinsurance premiums paid to authorized companies or associations, provided that there shall be deducted from said 2 per cent. upon the gross premiums the amount of any county and municipal taxes paid by such companies on real estate owned by them in California. Subject to action of retaliatory law. Tax report to be filed March 1st. Taxes due and payable on first Monday in July.

Publication.— Abstract of annual statement must be published daily for one week in some daily newspaper of general circulation, or four consecutive times in weekly newspaper in city where principal office in California is located.

A bond of \$20,000 is required of every insurance company doing business in California. The conditions and obligations of this bond are as follows:

First, That if the said principal and its agents will pay all state, county and municipal property and license taxes in the manner and at the times prescribed by law, and

Second, That if the said principal will conform to all the provisions of the revenue and other laws made to govern them; and

Third, That if said principal will promptly pay all fees, assessments, taxes, penalties and fines that may be laid upon or against such principal —

Then this obligation to be void; otherwise to be and remain in full force and effect.

Any surety company, duly authorized to transact business in this state, is acceptable to this Department.

Colorado

Fees:

Filing the certified copy of articles of incorporation, on the organization of each company.....	\$50 00
Filing power of attorney and statement preliminary to admission.....	50 00
Filing copy of its charter or deed of settlement, and examination thereof same as secretary of state (generally \$30).....	30 00
Filing annual statement	50 00
Certificate of authority to transact business in this state, renewed annually	5 00
Each copy of certificate of authority for use of agents and solicitors to each member of firm and solicitor of corporation.....	2 00
Each copy of any paper filed, per folio.....	20
Affixing the seal of the office, and certifying any paper.....	1 00
Fraternal societies, annually.....	50 00

Taxes.— Two per cent. of gross premiums received on business written or renewed in the state, less net reinsurance premiums paid to companies authorized to do business in this state and for return premiums on risks cancelled. Tax statement to be filed and taxes paid on or before March 1st.

Publication.— Abstracts of annual statements must be published at least four times in a Denver newspaper of general circulation. A copy of such publication must be filed with the commissioner of insurance.

Connecticut

Fees:

Filing copy of charter (surety companies only).....	\$10 00
Filing preliminary statement	10 00
Filing annual statement.....	10 00
Filing any additional paper required by law.....	25
License to company, annual.....	10 00
Nonresident broker's license.....	10 00

Foreign Companies

Filing copy of charter.....	30 00
Filing preliminary or annual statement.....	20 00
License to company, annual.....	50 00
Agent's certificate of authority.....	2 00

Fraternal Associations

Filing copy of charter or articles of association.....	5 00
For each license and renewal.....	5 00
For filing annual statement.....	5 00

Reciprocal provision for fees for valuation of certificates.

Reciprocal provisions for fees, for valuing life insurance policies and for taxes.

Taxes.—Two per cent. gross premiums, from foreign companies (of other countries).

Delaware

Fees:

Filing certified copy of charter.....	\$10 00
Filing annual statement thereafter.....	10 00
Publication of abstract of annual statement (estimated).....	4 00
Certificate of authority to company.....	27 00
Agent's certificate of authority, firms and corporations.....	2 00
State license	5 50

Certificate of authority and state license are transferable.

Three dollars for seal.

Taxes.—On fire and miscellaneous insurance companies $1\frac{1}{2}$ per cent. of gross premiums, which is defined by statute as follows:

Where the words "gross premiums" are used in reference to premiums received by fire insurance companies on policies covering risks located within the state of Delaware and the same shall be taken and held to mean all moneys collected as premiums on such policies, less return premiums paid therefrom by reason of cancellation of policies and less reinsurance premiums received from companies authorized to do business in this state and which pay to the state taxes on the original premiums.

Payable to the insurance commissioner. In addition there must be paid to the state treasurer a franchise tax of $\frac{3}{4}$ of 1 per cent. on such premiums; domestic companies only.

On life insurance companies 2 per cent. of gross premiums. Retaliatory provisions for greater charges by other states.

In computing the gross amount of premiums received and assessments collected deductions for dividends paid shall be permitted. Taxes due and payable not later than February 28th.

Fraternal Beneficiary Associations

Fees:

Filing statement and copy of charter with application.....	\$10 00
Filing annual statement thereafter.....	10 00
Publication charges	4 00

Publication.— Abstracts of annual statements are made by the insurance commissioner in three newspapers for three issues. The commissioner pays the bill from moneys assessed.

District of Columbia

Fees:

Filing certified copy of charter or articles of incorporation and appointment of attorney, including annual license.....	\$10 00
Agent's annual license.....	50 00
Two members of a firm and the secretary and one assistant secretary of a corporation may act for such firm or corporation under one license.	.
Broker's annual license.....	50 00
Two members of a firm and the secretary and one assistant secretary of a corporation may act for such firm or corporation under one license.	.
Ordinary solicitor's annual license issued to individuals only.....	5 00
Industrial solicitor's annual license issued to individuals only....	2 00
Fraternal beneficial association's annual license.....	5 00

NOTE.— All of the above fees are prorated monthly from the first of the month in which application is made to May 1st following, except fee for fraternal beneficiary associations, which is not prorated.

Taxes.— All companies, except mutual fire, and health, accident and life insurance companies operating under section 653 of the District Code, 1½ per cent. of net premium receipts in the district.

Health, accident and life insurance companies or associations (formerly classed as sick, accident and health benefit companies and associations which are not allowed to issue policies in excess of five hundred dollars, where the capital or assets amount to not less than \$25,000) operating under section 653 of the District Code must pay as taxes a sum equal to 1 per cent. of total collected from policy or certificate holders in the district.

Tax statement must be filed during the month of January, and taxes based on such statement must be paid before March 1st of each year.

Publication.— Annual statements must be published by the company once in one paper in March of each year.

Not required of fraternal beneficial associations.

Florida

For filing charter or articles of incorporation \$2 upon each \$1,000 of capital stock. The tax, however, not to exceed \$250 in any case, to be paid only once when the company enters state. The secretary of state is entitled to a fee of \$5 in this connection.

Fees:

Filing annual statement.....	\$10 00
Annual state license	200 00
Annual license for plate glass insurance companies.....	50 00
Agent's license, each member of firm, each solicitor of corporation.	5 00
Counties, cities and towns may require a license fee for agents not to exceed.....	2 50
License for traveling agent or solicitor.....	25 00
License for each adjuster not licensed as agent.....	10 00
License for each rate agent.....	25 00

Counties, cities and towns may require a license fee for traveling agents or solicitors of \$5 for each county in which business is done.

Taxes.— Two per cent. of gross premiums received in the state, less return premiums for policies cancelled, payable January 31st.

Sick and Funeral Benefit Insurance Companies

Annual state license.....	\$100 00
For filing annual statement.....	5 00

Agents for sick and funeral benefit insurance companies pay \$5 for each county in which they solicit, up to five counties; \$25 entitles the agent to a state license.

Fraternal beneficiary associations pay no taxes.

Filing fees fraternal beneficiary associations.....	\$10 00
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State licenses are renewable October 1. If issued after April 1, half the above fee is charged.

Publication.— The state treasurer shall annually in the month of March publish in some newspaper published at the capital a list of all insurance companies, associations, firms or individuals authorized to do business in this state, showing in tabular form the assets, liabilities, and other essential data and information regarding the statements made and accepted.

Georgia

Fees:

Fire insurance companies in lieu of all other fees.....	\$200 00
Filing annual statement, all other companies.....	20 00
Filing copy of charter or certificate of no change in charter since last filing	20 00
Agent's license, one to a firm or corporation.....	3 00
Domestic beneficiary order's license (no other fees or taxes).....	40 00
Non-resident beneficiary order's license (no other fees or taxes)....	20 00

Taxes.— One per cent. of gross premiums received on all direct business in the state. (Fire and marine companies deduct return premiums.)

Fire Marshal tax of one-tenth of 1 per cent. on gross premium receipts of fire companies, levied at discretion of Insurance Commissioner.

Tax year is from May 1st to April 30th. Companies are given sixty days, or until July 1st of each year, to make returns and pay the taxes.

Local agent's occupation tax (fire and life companies).....	\$10 00
State agent's occupation tax (life and fire companies).....	50 00
State agent's occupation tax (assessment companies).....	25 00

Deposit.— Fire, marine and inland insurance companies chartered by other states or foreign governments required to deposit with the Treasurer of the state, bonds of the United States, bonds of the State of Georgia or bonds of counties or municipalities of Georgia of the face value of \$10,000.

Surety and Bonding companies are required to deposit the sum of \$25,000 with the State Treasurer in registered bonds of the United States or of this state.

Publication.— The semi-annual statements made to the governor are required to be made one time in a paper of general circulation in this state, the companies bearing the expense and making the selection of the paper in which the publication is to be made.

Hawaii

Fees:

(1) For filing articles of incorporation, or certified copies of articles, by-laws, if filed by one act and covered by one certificate	\$25 00
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(2) Verified statement of financial conditions.....	1 00
(3) Certified copy of an examination by some insurance department of the United States.....	25 00
(4) Certificate of qualification in home state.....	25 00
(5) Resolution consenting to commissioner accepting legal service including power of attorney.....	1 00
(6) Authority to resident agent to accept legal service.....	1 00
(7) For issuing certificate of authority.....	10 00
(8) For each renewal, certificate of authority.....	10 00
(9) For filing annual statement of condition.....	10 00
(10) For filing each annual statement of business transacted in the territory	10 00
(11) For application for agent's license accompanied by agent's statement of agreement.....	1 00
(12) Agent's license for each company represented.....	2 00
(13) Adjuster's license, including application for same.....	2 00
(14) For filing any other paper.....	1 00
(15) For furnishing copies of papers on file per folio.....	25
(16) For certifying copies, each.....	1 00

Taxes:

All insurance companies or corporations except life insurance companies 2 per cent. of gross premiums received from all risks located in, and from all business done within the territory, during the year ending on the preceding 31st day of December, less return premiums and reinsurance in companies or corporations authorized to do business in the territory when such reinsurance is placed through or with local agents.

Life insurance companies 2 per cent. of all gross premiums received from all business done within the territory less return premiums, and reinsurance in companies or corporations authorized to do business in the territory, during the year ending the preceding 31st day of December, when such reinsurance is placed through or with local agents, and operating and business expenses, which taxes when paid shall be in settlement of all demands of any taxes or licenses or fees of every character, excepting property taxes and the fees set forth above.

Statements under oath setting forth the particulars required to determine tax must be filed on or before the 15th of April of each year covering the business transacted during the year ending December 31st next preceding. Taxes are due and payable on the 30th day of June succeeding the filing of these statements.

Idaho

Fees and Requirements:

Life, fire and miscellaneous companies upon entry must file with Insurance Department:

1. Financial statement under oath of proper officer.
2. Two certified copies of charter or articles of incorporation and all amendments thereto; one for the Insurance Department and the additional copy for the Secretary of State, in compliance with the Corporation Laws.
3. One copy of designation of legal agent for the service of process, executed in favor of "Insurance Commissioner or his successor in office" as required by law.
4. Certificate from Insurance Commissioner or other proper officer of company's home state, showing that company is authorized in said state.
5. Certified copy of by-laws and all amendments thereto.
6. Certified copy of last examination of company.
7. Certificate of deposit, life and miscellaneous companies, also foreign fire insurance companies.
8. Special deposit of \$25,000 required of surety companies.
9. Certified list of officers, directors and stockholders of company.
10. Life, and accident and health policy forms must be filed with and approved by this department before issuing in this state.
11. Health and accident companies must file rate books and manuals.

*Fees Upon Entry**Secretary of State:*

For filing charter or articles of incorporation:

Companies having no capital stock.....	\$5 00
When the authorized capital stock does not exceed \$25,000.....	10 00
When the authorized capital stock exceeds \$25,000 and does not exceed \$50,000	20 00
When the authorized capital stock exceeds \$50,000 and does not exceed \$100,000	40 00
When the authorized capital stock exceeds \$100,000 and does not exceed \$500,000	60 00
When the authorized capital stock exceeds \$500,000 and does not exceed \$1,000,000	100 00
When the authorized capital stock exceeds \$1,000,000.....	150 00

Insurance Commissioner:

State license	\$50 00
Filing financial statement	50 00
Filing articles or charter.....	10 00
Filing designation of legal agent.....	2 00

*Annual Fees**Insurance Commissioner:*

State license	\$50 00
Filing annual statement.....	50 00
Publication of annual statement (life only).....	10 00
For each agent's certificate (all classes).....	3 00

Taxes

Two per cent tax upon gross premiums less return premiums and cancellations (fire companies).

Two per cent tax upon gross premiums, all life and miscellaneous companies. Tax statement to be filed on or before March 1st; Tax payable on or before April 1st.

Illinois*Fees:*

Filing the declaration or certified copy of charter.....	\$30 00
Filing annual statements except fraternal societies	10 00
Filing annual statements, fraternal societies.....	5 00
Agent's license (one to a firm).....	2 00
Issuing licenses to fraternal societies.....	10 00
Issuing licenses to mutual fire and casualty companies.....	25 00

The department does not issue annual licenses or certificates of authority to insurance companies. The license which is issued when company is admitted to state continues its authority to do business in the state until company fails to comply or the license is revoked.

Taxes.—The net receipts of all companies are taxed locally as personal property. An additional 2 per cent. of gross receipts of fire and marine companies may be levied by cities having fire departments. The Supreme Court has held that the term “net receipts” as used in the statute, means gross receipts, less operating expenses, although not including fire losses.

Retaliatory provisions for other taxes.

Publication.—Annual statement of fire, marine, fidelity, surety and casualty insurance companies must be published in two newspapers, one in Springfield and the other in Chicago, for fifteen days. Life insurance companies are required to publish annual

statement in two newspapers, one in Springfield and the other in Chicago, for one month. Publication attended to by the companies.

Fire Marshal Tax.—One-fourth of 1 per cent. of gross premium receipts.

Indiana

Annual fees:

Filing annual statement.....	\$20 00
Examining annual statement.....	5 00
Certificate of authority to company.....	5 00
Two copies of statement for publication.....	2 00
Fraternal societies	5 00

Admission fees for all companies except those organized under the Mutual Law:

Copy of annual statement.....	20 00
Examining annual statement.....	5 00
Copies of articles of incorporation, by-laws, etc.....	25 00
Certificate of authority to company.....	5 00
Appointment of auditor of state as attorney for process.....	5 00
Companies organized under Mutual Law of 1915.....	25 00
Fraternal societies	5 00

Agents' License Fees:

All companies (except stock and assessment life, and fraternal), individual, or firm composed of not more than three persons....	3 00
Stock life companies (individual).....	3 00
Assessment life companies (individual).....	1 00
Other assessment companies (individual, or firm composed of not more than three persons).....	1 00

Taxes (payable semi-annually).—Three per cent. of gross premiums received in the State, less return premiums, reinsurance premiums received and losses actually paid in the State. This tax is also collected from assessment companies. Initiation fees, assessments and dues charged by assessment companies over premiums received are within the meaning of the Indiana statute.

Fire Marshal Fund, Payable Semi-Annually.—One-half of 1 per cent. of premiums less return premiums and reinsurance premiums received.

Publications (made semi-annually).— Each insurance company (incorporated under the laws of any other state, or under the laws of any other government, and authorized to write insurance in Indiana), shall publish a statement of the financial condition of such company twice each year in two leading newspapers of the state.

The expense of such publications, not to exceed one dollar per square for each publication, to be paid by the company directly to the newspaper publishing the same. Such publications to be ordered and supervised by the Insurance Department of the state of Indiana.

Reciprocal provisions for greater charges by other states.

Iowa

Fees:

Filing copy of charter or articles of incorporation.....	\$25 00
Filing annual statement.....	20 00
Certificate of authority renewed annually.....	2 00
Agent's license (one to each member of a firm).....	2 00
Two certificates of authority for publication (fire and casualty companies)	4 00
One certificate of authority for publication (assessment associations)	2 00
Filing statement and issuing certificate of authority, fraternal societies (no other fees).....	25 00

Taxes.— Two and one-half per cent. of the gross amount of premiums received for business done in the state, including all insurance upon property situated therein, *less the amount of premiums returned upon cancelled policies issued upon property situated in the state.* (Fire companies only.)

Two and one-half per cent. of gross premiums received in the state. (Life, fidelity and casualty companies only, without deduction.) Taxes due and payable on or before March 1st.

Publication.—Abstracts of annual statements of fire, fidelity and casualty companies are required to be published by the Commissioner of Insurance once in two newspapers. Fee fixed by law at \$6 for each publication.

Retaliatory provisions for greater charges by other states.

Kansas

Fees on Application for Admission:

Fraternal beneficiary societies.....	\$25 00
Assessment life and accident insurance companies.....	115 00
All other insurance companies.....	156 00
Reciprocal or interinsurers' exchanges.....	20 00

Annual Fees:

Annual license, annual statement and certificate of authority for assessment life and accident companies.....	115 00
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On Filing Annual Statement:

Reciprocal or interinsurers' exchanges.....	20 00
Fraternal beneficiary societies	20 00
All other insurance companies.....	50 00
Agent's license, one to each member of firm and each solicitor of corporation	2 00
School fund fee to fire, life and miscellaneous insurance companies.	50 00

Taxes.— Two per cent. of gross premiums received in the state, less return premiums.

Companies of other countries, 4 per cent. of such receipts. Fire insurance companies are required to pay not to exceed one-half of 1 per cent. of premiums received from fire and lighting insurance for support of fire marshal's office.

Return premiums deducted.

Fire companies pay in addition 2 per cent. of premiums collected in cities having fire apparatus worth \$1,000. Tax statement to be filed on or before January 15th; taxes payable on or before March 1st.

Retaliatory provisions for greater charges.

Kentucky

Fees:

For filing of charter or articles of incorporation.....	\$30 00
For filing annual statement (subject to retaliatory law).....	25 00
For license to each agent of companies other than life insurance companies and certificate of seal of office for each individual—no firms or corporations licensed as a whole.....	3 00
For license to each agent of life companies and certificate of seal of office for each.....	5 00

For license to each agent of industrial life insurance companies and certificate of seal of office for each.....	2 00
For filing declaration of intention to form an insurance company.....	30 00
For any additional or supplemental statement for the same year.....	25 00
For seal of office with certificate.....	1 00
For certificate of compliance (subject to retaliatory law).....	1 00
For copies of any paper on file or deposit with the commissioner or in his office, 20 cents per folio.	

Fraternal

Certificate or license.....	20 00
(See section 15, page 10, Fraternal Bill.)	

Reciprocals

Certificate or license.....	25 00
(See section 21, page 22.)	
Annual statement	25 00

Mutual Fire and Casualty Companies

Certificate or license.....	25 00
(In addition, such companies pay \$30 for filing charter; \$25 for annual statement.)	

For cost of making valuations under section seven hundred and fifty-six, not to exceed one cent on every one thousand dollars of insurance effected; and the commissioner is authorized to assess an equal amount upon each insurance company doing business in this commonwealth, to provide for any deficiency in defraying expenses of the insurance department. (For fees to be paid by cooperative fire companies, see section 722.)

Taxes:

First: Foreign stock casualty companies are liable for a 2 per cent. general tax on all net premiums received from business in Kentucky, as provided in section 4229, Kentucky Statutes, except on premiums from workmen's compensation insurance and upon these there is a tax of 4 per cent. upon the net premium to support the Workmen's Compensation Board.

Second: Domestic casualty companies, whether stock or mutual are exempt from all premium taxes except on premiums derived from workmen's compensation insurance, upon which there is a

tax of 4 per cent. of the net premiums to support the Workmen's Compensation Board.

Third: Foreign stock fire insurance companies and foreign companies doing a mixed fire and casualty insurance as allowed by section 687, Kentucky Statutes, are liable for 2 per cent. general tax on all premiums received on Kentucky business as provided in section 4229, Kentucky Statutes; also for one-half per cent. on all fire premiums received from Kentucky business, less cancellation, and premiums paid for reinsurance in authorized companies, for the support of the State Insurance Board, and for one-half of 1 per cent. of the gross fire premiums on Kentucky business for the support of the Fire Marshal's office.

Fourth: Domestic stock fire insurance companies and domestic companies doing a mixed fire and casualty insurance as allowed by section 687, Kentucky Statutes, are liable for one-half per cent. of the gross fire premiums on Kentucky business for the support of the Fire Marshal's office.

Fifth: Foreign mutual insurance companies shall pay a tax of 2 per cent. of the total deposit premiums in force during the year on all risks in this State, except premiums for workmen's compensation insurance, less such per cent. of the unabsorbed portion of the total premiums as had actually been returned on individual risks expiring during the year, and an additional tax of 1 per cent. of all fire premiums on insurance in the State, calculated on the above basis, for the support of the State Insurance Board and the Fire Marshal's office, which tax shall be equally divided between the two.

Sixth: Domestic mutual insurance companies are not subject to a premium tax for any purpose, except the 4 per cent. tax on premiums of workmen's compensation insurance in this State.

Seventh: All reciprocals are liable for a general tax of 2 per cent. of their gross premiums on deposits collected from Kentucky subscribers during the preceding calendar year, less all amounts returned to subscribers or credited to their accounts as savings, except on premiums received from workmen's compensation insurance, upon which they are required to pay a 4 per cent. tax, calculated as above, for the support of the Workmen's Compensation Board; and in addition to the foregoing taxes they shall pay

an annual tax of 1 per cent. calculated as above, on all fire premiums received from Kentucky subscribers for the support of the State Insurance Board and the Fire Marshal's office, which tax shall be equally divided between the two.

Eighth: Associations of underwriters on the Lloyd's plan shall be liable for the same premium tax as foreign stock insurance companies are required to pay.

Ninth: Foreign co-operative or assessment fire insurance companies shall pay the 2 per cent. general tax on the net fire premiums received from business done in Kentucky, as provided for by section 4229, Kentucky Statutes, also one-half per cent. on same premiums for the support of the State Insurance Board, and one-half per cent. of the gross premiums on Kentucky business for the support of the Fire Marshal's office.

Tenth: Domestic co-operative or assessment fire insurance companies are only required to pay one-half of 1 per cent. of the gross premiums on Kentucky business for the support of the Fire Marshal's office.

Tax statement due on February 1st and payable as soon thereafter as billed from the department.

Louisiana

Fees.—But one state license is required. It is based on the gross premiums received in the state. (Fire insurance companies deducting return premiums and reinsurance in authorized companies.) For companies entering the state between January and July license is computed on the business done during the first two months, multiplied by six. Companies entering the state after July pay half-yearly license. Every municipal corporation, where an agent is domiciled, may collect the same license as the state; the city of New Orleans is the only one demanding it.

The following table shows the graded license fees payable March 1st:

<i>Fire and Marine Companies:</i>	
\$10,000 or less	\$150 00
\$15,000 and less than \$20,000.....	225 00
\$20,000 and less than \$30,000.....	300 00
For each additional \$10,000, or part, until the receipts amount to \$300,000	150 00

Life Companies:

Life insurance companies, \$30,000.....	120 00
For each additional \$10,000, or part, until receipts amount to \$1,500,000	60 00

Other Fees:

Certificate of authority	10 00
Agent's license, one to a firm or corporation, not exceeding three...	2 00
Filing annual statement.....	15 00
Seal of office with certificate.....	1 00
Filing, recording and furnishing certified copy of power of attorney to secretary of state.....	5 00

Copying or recording, 25 cents per hundred words.

Benevolent or Fraternal Associations

Benevolent or fraternal societies or associations, employing solicitors or agents, pay for licenses as follows:

When gross annual receipts amount to \$50,000 or more.....	\$375 00
\$40,000 and less than \$50,000.....	300 00
\$30,000 and less than \$40,000.....	225 00
\$20,000 or less.....	150 00

Publication.—Abstract of annual statement of fire companies, showing Louisiana business, must be published for thirty days in two newspapers in New Orleans, if the company did business there. The company makes its own publications and selects the newspapers for publication.

Fire Marshal Tax.—One-half of 1 per cent. of gross premium less reinsurance in authorized companies and return premiums of fire insurance companies to defray fire marshal's expenses, payable March 1st.

An additional tax of 1 per cent. is levied upon the amount of all premiums written on fire insurance within the limits of incorporated cities, towns or villages having in serviceable condition for duty fire apparatus and necessary equipment belonging thereto, to the value of \$1,000 and upwards.

Maine

Fees:

Certificate of authority on admission, renewable July 1st (renewal not required of fraternal associations).....	\$20 00
Agent's license, renewable July 1st (firms, \$2 for each member) ..	2 00

Taxes.—One and one-half per cent. of gross premiums received in the state less return premiums, premiums on reinsurance in authorized companies and premiums on farm property.

Inter-insurers, 2 per cent. on gross premiums or deposits, less amounts actually returned to policyholders.

Tax returns filed on or before January 31st; taxes due on or before May 1st.

Fraternal associations pay no taxes.

Retaliatory provisions for other or greater charges by other states.

Publication.—All companies except life, assessment and fraternal associations are required to publish abstracts of annual statements once a week for three weeks in each county in which there is an agency. No charge fixed.

Maryland

Fees:

Certificate of authority, life companies.....	\$300 00
Certificate of authority, fire and marine companies.....	100 00
Certificate of authority, casualty and surety companies of foreign countries (not required of similar United States companies, but this exemption of United States companies does not apply to any company that insures automobiles against fire).....	100 00
Certificate of authority, fraternal beneficiary associations.....	25 00
Filing charter or articles of incorporation.....	25 00
Filing statement	25 00
General agent's license (any company) individual.....	10 00
Agent's license, fire and marine (individual).....	10 00
Agent's license, life and casualty (individual).....	2 00
Solicitor's license, fire and marine.....	5 00
Abstracts for publication (two in Baltimore), each.....	2 00

Taxes.—Fire and marine companies, 2 per cent. of gross premiums received in the state, or in Maryland risks, less return premiums and reinsurance in authorized companies.

Life and casualty companies, $1\frac{1}{2}$ per cent. of all premiums contracted to be paid or actually collected, received, allowed or secured in the state, or from residents thereof.

Statement filed January 1st or within 60 days thereafter. Tax on premiums due upon filing statement.

Publication.—The Insurance Commissioner is required to publish annually, once a week for three successive weeks, in a daily newspaper published in the city of Baltimore, an abstract of the annual statement of each insurance company doing business in this State, except in the case of an insurance company having the principal office in one of the counties of the State. In the case of such latter companies, the abstract must be published, once a week for three consecutive weeks, in a newspaper published in the county where the principal office is located. First publication to be made prior to April 1st.

Unauthorized Insurance.—Holders of policies in unlicensed companies are required to file with the commissioner a statement describing the policies, and to pay thereon a tax of 5 per cent of the premiums, also \$1 on each policy for making record. Persons who file an affidavit setting forth that they are unable to obtain insurance in licensed companies are required to pay only the fee for recording, and are exempt from the premium tax.

In addition to the publication published under the authority of the insurance commissioner, fire, life, bonding and casualty insurance companies, irrespective of the location of the principal office of the company, must publish annually, prior to April first, three consecutive times, an abstract of the annual statement in one newspaper in Baltimore City. First publication must be made prior to April 1st.

Massachusetts

Fees:

Filing copy of charter.....	\$30 00
Filing statement on admission.....	20 00
Filing annual statement.....	20 00
Agent's license, renewable July 1st in each year, one to a firm (not required of assessment and fraternal companies).....	2 00

License to company expires June 30th. No fee for renewal of same except retaliatory.

No fee for valuing life policies of foreign companies except under retaliatory provision.

For a certificate of authority of a fraternal society and for each renewal thereof, \$20.

Retaliatory provisions for other or greater charges by other states.

Taxes.—The collection of taxes is by tax commissioner and not insurance department.

Life companies, one-fourth of 1 per cent. on net value of Massachusetts policies; also retaliatory premium tax.

All foreign companies, except life, 2 per cent. of premiums less reinsurance if effected through a Massachusetts licensed agent in authorized companies, returned premiums and unused balances on notes taken for premiums on open policies. Mutual companies may also deduct unabsorbed premium deposits. Life insurance excise tax is due October 20th, returns being due on or before May 1st. Premium tax is due and payable November 20th, based on premiums received during the previous calendar year. Retaliatory provisions apply.

Assessment and fraternal companies are not taxed.

Michigan

Fees.—Admission, \$25. Retaliatory provisions for greater charges by other states.

Taxes.—Fire, marine and automobile insurance companies, 3 per cent. of gross premiums received in the state, less return premiums and reinsurance premiums received when the tax has been paid on the original premium. Casualty companies, 2 per cent. on gross premiums received in state, less return premiums and reinsurance premiums received when the tax has been paid on the original premium. Tax statement to be filed within forty-five days after January 1st. Taxes payable on or before March 1st.

Life companies, 2 per cent. of gross premiums received in the state.

Assessment associations pay no taxes, except retaliatory.

Reciprocal exchanges, 2 per cent. of gross premiums or deposits received in state, less amounts distributed to subscribers or credited to their accounts.

Minnesota

Fees:

Filing copy of charter or articles of incorporation.....	\$30 00
Filing annual statement.....	20 00
Certificate of authority.....	2 00
Renewal certificate of authority.....	2 00

Agent's license (one to each member of a firm).....	2 00
Renewal of agent's license.....	2 00
Valuing life policies, one cent for each \$1,000.	
Three abstracts of annual statement for publication.....	10 00
License to place insurance with unauthorized companies.....	10 00
Broker's license	10 00
Accepting valuations of policies of other states.....	50 00
Filing certified copy amendment to articles of incorporation....	10 00
For each certificate including certified copy of certificate of authority, renewal, valuation of life policy, corporate condition or qualification	1 00
For receiving and forwarding a copy of summons or other process served upon commissioner of insurance, as attorney for any insurance company	2 00
Copy of records, 20 cents per folio and \$1 for certifying same.	

(Provided, that, when by the laws of any other state or nation any fines, penalties, license or fees additional to, or in excess of those imposed by this state upon foreign insurance companies and their agents, are imposed upon insurance companies of this state or their agents, doing business in such state, the same fines, penalties, licenses, and fees shall be imposed upon all insurance companies of such state and their agents doing business in this state, so long as such laws remain in force.)

Taxes.—Two per cent of the “gross” premiums less return premiums “on all direct business” received by any foreign or domestic company, except town and farmers’ mutual fire insurance companies and domestic mutual fire insurance companies, in this state, or by its agents for it, in cash or otherwise, during the preceding calendar year. In the case of every domestic company such sums shall be in lieu of all other taxes except those upon real property owned by it in this state. In the case of every foreign company such sums shall be in lieu of all other taxes, except those upon real and personal property owned by it in this state. Payable March 1st.

In addition every foreign fire company doing business in any city wherein a salvage corps has been established pursuant to law for which such company or its agents for it are not otherwise subject to taxation, shall at the same time pay to the treasurer of the duly authorized board of underwriters therein a tax equal to 2 per cent. of the gross amount of premiums received by it, or for it, in such city.

The above mentioned taxes shall not apply to any corporation, association, or society engaged in the business of life insurance

upon the co-operative or assessment plan, or to any such corporation, society or association, engaged in the business of casualty insurance upon the co-operative or assessment plan.

Fire Marshal.—For the purpose of maintaining the department of state fire marshal and paying all the expenses incident thereto, every fire insurance company doing business in the state of Minnesota, excepting town insurance companies, farmers' mutual fire insurance companies and township fire insurance companies, shall hereafter pay to the state treasurer on or before March 1, 1914, and annually thereafter, a tax upon its fire premiums or assessment, or both, as follows: A sum equal to three-eighths of 1 per cent of the gross premiums and assessments, less return premiums, on all direct business received by it in this state, or by its agents for it, in cash or otherwise, during the preceding calendar year, including premiums on policies covering fire risks only on automobiles, whether written under floater form or otherwise, provided, however, that this act shall in no way affect the tax due March 1, 1913, and the payment thereof. In the case of a mutual company the dividends paid or credited to members in this state shall be construed to be return premiums. The money so received into the state treasury shall be set aside as a special fund and is hereby appropriated for the maintenance of such office of state fire marshal and the expenses incident thereto. The state shall not be liable in any manner for the salary of said fire marshal, his chief assistant, deputies, clerks and other employees or for the maintenance of the office of fire marshal or any expenses incident thereto, and the same shall be payable only from the special fund provided for in this section.

Publication.—When the statement of an insurance company has been approved by the commissioner, a summary of such statement, prepared by the commissioner, together with his certificate of approval, shall be published, and proof of publication filed with him before May 1st following, in default whereof he shall have such publication and proof made at the expense of the company. The publication shall be made in the place of the company's home office, if within the state, otherwise in each of the three most populous counties of the state, and in all cases at least three times, and in a daily newspaper, conforming to the requirements of section 5515, Revised Laws, 1905, which will accept and publish such advertisement, at the rates prescribed by law for legal publications, if there be one, but if not, then in a weekly newspaper having a general circulation in the county of its publication. Such newspaper shall be entitled to charge and receive for such publication not to exceed the rate prescribed by law for legal publications.

*Fraternal Orders**Fees:*

Certificate of authority or renewal.....	\$10 00
(No charge for filing copy of charter or articles of incorporation, or any amendment thereto. Statement required to be filed, but no abstract thereof to be published.)	

Mississippi*Fees:*

Filing charter or articles of incorporation (fraternal orders only) ..	\$25 00
Filing preliminary statement.....	20 00
Filing annual statement.....	10 00
Certified copy of same.....	5 00
Filing any other paper required by law.....	1 00
For each license issued to a life or fire insurance company or association, or to any company or association of companies operating a separate or distinct plant or agency in the state, or for each license issued to an accident, marine, surety, plate glass, or any other insurance company or association.....	100 00
Privilege license fraternal orders.....	25 00
Privilege license all other companies.....	100 00
Certificate of authority, general agents.....	3 00
Certificate of authority, agents.....	2 00
Certificate of compliance.....	2 00
Designation of commissioner for service of process.....	1 00
Service on commissioner.....	2 00
Examination, in addition to expenses incurred per diem.....	25 00
Copy annual statement.....	5 00
Publication of annual statement.....	9 00
Abstract of annual statement for filing with chancery clerk.....	2 00

Copy of records, 10 cents per 100 words.

Taxes.—Life companies, $2\frac{1}{4}$ per cent. of gross premium receipts in the state less death claims, matured endowments, and cash dividends paid under policy contracts in the state during the year; provided, however, that the tax assessed on any such life insurance company shall not be less than an amount equal to $1\frac{3}{4}$ per cent. of the gross premiums received by it upon the business done within the state during the said year.

Tax statement must be filed before March 1st. Tax must be paid on or before May 1st to state treasurer.

All other companies, $2\frac{1}{2}$ per cent. of gross earnings less return premiums.

Fire companies pay one-fifth of 1 per cent. for fire marshal tax.

Fraternal orders pay no premium taxes.

Under the law, what is known as the Yazoo-Mississippi Delta Levee District Board has the right to collect the same amount of privilege tax on companies as is imposed by the state. That district is composed of nine counties lying on the Mississippi river and contiguous streams.

Missouri

Fees on Admission:

Assessment life and accident companies.....	\$50 00
Stipulated premium companies.....	25 00
Fraternal beneficiary associations.....	5 00
All other companies (including certificate).....	61 00

Annual Fees:

Filing annual statement (United States fire and marine companies).	30 00
Regular life and miscellaneous companies.....	30 00
Filing other papers.....	10 00
Filing annual statement and issuing certificate of authority, stipulated premium companies.....	25 00
Filing annual statement and issuing certificate of authority to assessment life and accident companies.....	50 00
Filing annual statement and issuing certificate of authority to fraternal beneficiary associations.....	5 00
Certificate of authority, fire, regular life and miscellaneous stock companies, annually	1 00
Certificate of authority, all other companies, annually.....	1 00
Agent's license, stipulated premium companies.....	1 00
Agent's license, all other companies and associations, one to firm (each member of corporation actively engaged required to have license)	2 00
Agent's license, unauthorized companies.....	10 00
Broker's license	10 00

Taxes.— Stipulated premium companies 1 per cent. of gross premiums received in the state.

The agent or agents of any fire insurance company doing business in any city in the state having a population of more than 100,000 inhabitants, in addition to the tax on premiums, shall pay to the collector of said city (if said city shall so declare by ordinance) on or before the first day of February of each year not more than \$100 for the use of said city, which shall be considered in full for and in lieu of all taxes and licenses which said city may possess the power to impose on said agent.

All other companies, 2 per cent. of gross premiums received in the state less return premiums and reinsurance in authorized companies. In collecting the 2 per cent. tax of life, casualty or fidelity insurance companies, no credit is given for reinsurance.

Tax schedules must be filed on or before March 1st; tax payable to state treasurer on or before May 1st.

Agents pay 5 per cent. of premiums on "excess lines," and 2 per cent. of premiums on insurance in unauthorized companies.

Retaliatory provisions for other or greater charges by other states.

Montana

Fees:

Filing charter and examination of papers on admission.....	\$300 00
Filing annual statement.....	25 00
Agent's license, one to firm or corporation.....	5 00
Publishing auditor's certificate of authority.....	9 00
Assessment life companies on admission....	100 00
Assessment accident companies on admission.....	300 00

A certificate of authority is issued to each company at the beginning of the insurance year authorizing them to transact business during that year upon payment in advance of \$125, which is $2\frac{1}{2}$ per cent. tax on \$5,000 in premiums or less; on premiums in excess of \$5,000 a tax of 2 per cent. is charged. Fire and miscellaneous insurance companies are permitted to deduct return premiums on cancelled policies in making their return of gross premiums upon which the tax is charged.

Publication.—Auditor's certificate of authority including condensed statement of company, only publication required. Publication attended to by auditor.

Taxes.—Fire marshal's tax, $\frac{1}{4}$ of 1 per cent of net premiums on fire insurance only. All tax reports are required to be filed within sixty days after December 1st, and the taxes are due at that date.

Nebraska

Fees on Admission:

Fire, life and miscellaneous companies.....	\$50 00
Fraternal beneficiary associations.....	20 00

Annual Fees:

Filing annual statement, fraternal orders.....	10 00
Filing annual statement, domestic assessment associations.....	2 00
Filing annual statement, all other corporations.....	20 00
Agent's license (individual)	2 00

Taxes:

6354. Sec. 66. Foreign Fire Insurance Companies: Each and every fire insurance company organized under the law of any other state or country and transacting business in this state, shall be taxed in the county, town, city, village and school district where the agent conducts the business, upon the gross amount of premiums received by it for the preceding year. Such gross receipts to be taken as an item of property of that value and to be assessed and taxed on the same percentage of such value as other property. The agent shall render the list and be personally liable for the tax. If he refuses to render the list or to make affidavit that the same is correct, the amount may be valued and assessed according to the best information of the assessor.

Credit given for local tax paid against the reciprocal percentage tax.

REVENUE LAW — CHAPTER 69, ARTICLE 6

*6355. Sec. 67. Foreign Life and Accident Companies: Every life insurance and accident insurance, or life and accident insurance company organized under the laws of any other state or country, and transacting business in Nebraska, except fraternal beneficiary associations and such mutual companies as operate on the assessment plan, have no capital stock and make no dividends, and whose scheme of insurance does not contemplate the return of any percentage of earnings or profits to policyholders, shall, at the time of making the annual statement as required by law, pay into the state treasury two per cent. of the gross amount of the premiums received by it during the preceding calendar year for business done in this state, including all insurance upon the lives of persons residing in the state, whether such insurance was written during such preceding year or prior thereto. At the time of paying said taxes such companies shall take duplicate receipts therefor, one of which shall be filed with the State Auditor. No certificate shall be issued by the Auditor to or on behalf of any such company authorizing it to do or continue business in this state while any such percentage or tax remains due and unpaid.

Tax computed upon gross premiums, less dividends paid policyholders.

*6356. Sec. 68. Foreign Surety Companies: Every surety company organized under the laws of any state or country other than the state of Nebraska, and transacting business in this state, shall, during the month of January

of each year, make out and file with the State Auditor an itemized statement verified by the president or vice-president, and secretary, showing in detail the gross receipts from all business transacted in this state during the preceding calendar year, including the gross premium on all surety bonds or obligations of every kind, and shall at the same time pay into the state treasury as a tax on such business, two per cent. of such gross receipts. No certificate shall be issued by the auditor to any surety company, or agent thereof, authorizing it to do or continue business in this state while any such percentage or tax remains due and unpaid.

State Fire Commissioner Tax.—All fire insurance companies are taxed three-eighths of 1 per cent. on gross premiums, less cancellations and reinsurance.

Fire commissioner's department is separate from insurance department.

All taxes due and payable May 1st.

* Sec. 183 of Insurance Code, entitled Repealing Clauses, repeals all acts and parts of acts in conflict herewith, therefore the provisions in the two preceding sections relative to the filing of the statement with the State Auditor is repealed and said statement and remittance should be made to the State Insurance Board.

Nevada

Fees:

Filing power of attorney.....	\$5 00
License, casualty and surety companies, annual.....	20 00
License, all other companies, annual.....	100 00
Agent's license, annual	1 00

Fraternal associations pay no fees.

Publication.—Synopsis of annual statement must be published by the company. Cost, \$20.

Fee to Secretary of State:

For filing articles of incorporation on admission ten cents for each \$1,000 capital stock but in no case less than \$25.

No charge for filing annual reports.

The state levies no premium taxes whatever.

New Hampshire

Fees:

Filing copy of charter and by-laws.....	\$25 00
Filing statement with application and each annual statement.....	15 00
Filing statement with application and each annual statement (fraternal associations)	5 00

Certificate of authority (renewed annually)	5 00
Agent's license (firms and corporations — any additions to firm or corporation requires new certificate and payment of fee)	2 00
Service of legal process	2 00
Certificate	1 00

Taxes.—Fire, fidelity, casualty and assessment accident insurance companies, 2 per cent. of gross premiums received in the state less return premiums and reinsurance in authorized companies, if effected by licensed resident agents, and a further deduction in the case of all mutual fire insurance companies taxable under section 14 of chapter 169 of the Public Statutes of the amount of all unabsorbed premium deposits actually returned or credited to policyholders upon business in the State during the year for which the tax is determined.

Life companies 2 per cent. upon gross premiums received upon business within the state during the year less payments to residents of the state on account of death losses paid within the year. *Provided, however,* that the tax assessed upon any such life company shall not be less than an amount equal to $1\frac{1}{2}$ per cent. of the gross premiums received by it upon business done within the state during the year.

Taxes due and payable within one month after receiving notice.

Retaliatory provisions for other or greater charges by other states.

An Act relating to Foreign Mutual Insurance Companies, Approved April 22, 1913.

Section 1. Mutual fire, or mutual employers' liability insurance companies incorporated under the laws of other states which insure only factories or mills or property connected with such factories or mills may be admitted to this state upon complying with the conditions set forth in the Public Statutes of this state and amendments thereto and shall comply with all the requirements of said statutes except that in lieu of all other taxation upon premiums in this state, such companies shall annually pay a tax at the rate of two per cent. on gross premiums in force on risks in this state after deducting the unabsorbed portion of such premium computed at the rate of return actually made on annual policies expiring during the year by said insurance companies. Such companies shall, on or before the 31st day of each January, make a return, under oath, to the insurance commissioner, showing the gross premiums in force on risks in this state on the 31st day of December previous and the unabsorbed portion of such premiums computed at the rate of return actually made on annual policies expiring during the year by said insurance companies.

New Jersey

Fees:

Filing copy of charter.....	\$20 00
Filing statement on admission.....	20 00
Filing annual statement.....	20 00
Agent's license, one to a firm or corporation.....	2 00

Renewal certificate of authority to insurance companies required. No fee is charged for such renewal certificate except under retaliatory provisions of the law.

Other or greater fees governed by retaliatory provisions, except as to assessment life companies.

*Fraternal Beneficiary Associations**Fees:*

Filing copy of charter.....	\$10 00
Filing annual statement	5 00
License (required on admission only).....	5 00

Taxes.—Life companies are taxed only in retaliation. All other companies, 2 per cent. of gross premiums including reinsurance premium received in the State, less return premiums and reinsurance premiums paid authorized companies foreign to New Jersey. Credit is allowed for payments to firemen's relief associations by fire insurance companies, also for amounts paid for accident, plate glass, burglary and theft insurance effected in cities having a population of less than 150,000, to police pension or retirement funds in such cities. In cities with a population of 150,000 and over, an additional 2 per cent. on accident, plate glass, burglary and theft insurance effected therein, is payable to the police pension or retirement funds in such cities.

Tax return must be made to the insurance department and tax paid before February 15th.

Retaliatory provisions as to greater taxes.

Fraternal beneficiary and assessment life associations are not taxed.

Publication.—Retaliatory provisions govern.

New Mexico*Fees:*

On admission	\$150 00
Filing annual statement.....	20 00
Certificate of authority (annual).....	2 00
Agent's license after February 1, 1909 (each member of firm or corporation required to have license).....	2 00

Copy of records, 20 cents per folio and \$1 for seal.

Taxes.— Two per cent. of gross premiums received in the state less returned premiums. Tax statement to be filed and tax payable February 1st.

*Fraternal Associations**Fees:*

Filing annual statement.....	\$5 00
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Taxes.— None.

Deposit.— Fire companies must deposit \$10,000 in cash or prescribed securities.

Surety companies deposit \$20,000 in cash or prescribed securities.

Retaliatory provisions for other or greater charges by other states or territories.

North Carolina*Fees:*

On admission	\$44 00
Filing and publishing annual statement.....	23 00
Annual fees, payable April 1.....	10 00
Certificate of authority, life companies.....	250 00
Certificate of authority, fire, marine and accident companies.....	200 00
Certificate of authority, all other companies or associations.....	100 00
Certificate of authority, fraternal orders.....	25 00
Special or district agent's license.....	3 00
Local or canvassing agent's license (individual).....	1 00
Organizer's license for fraternal orders.....	3 00

Taxes.— Two and one-half per cent. of gross premiums on all direct business received in the state less return premiums.

Taxes are payable within seventy-five days after December 31st.

No license, taxes or fees collected by counties, cities, or towns.

Tax of one-half of 1 per cent. on the receipts of fire companies in towns and cities complying with the state building law and

having fire departments, and at least \$1,000 equipment, for a firemen's relief fund.

Fraternal orders are not taxed on receipts.

Publication.—The law requires the commissioner to make and publish an abstract of all financial statements. He collects a fee of \$9 for this purpose. This fee is included in the admission fee of \$44, and in the fee for filing annual statement of \$23. The general agents of the companies are permitted to select the newspaper if they do so within thirty days after filing the statement.

The annual license fee for companies entering the state, when over \$25, is prorated for the unexpired portion of the fiscal year.

North Dakota

Fees:

Filing articles of incorporation.....	\$25 00
Filing annual statement.....	10 00
Certificate of authority.....	2 00
For each copy of abstract for publication.....	2 00
Agent's license (one for each member of a firm or corporation)....	2 00
Filing annual report of fraternal beneficiary associations and issuing permit	15 00

Copy of records, twenty cents per folio and \$1 for seal.

Retaliatory provisions for greater charges by other states.

Taxes.—Two and one-half per cent. of gross premiums received in the state, less return premiums on cancelled policies. Taxes due January 1st and payable before March 1st.

Publication of statement in each judicial district where company has agents or transacts business. Attended to by department.

Ohio

Fees:

Filing copy of charter or articles of incorporation.....	\$25 00
Filing annual statement.....	20 00
Certificate of authority, co-operative or assessment associations....	1 00
Certificate of authority, all other companies.....	2 00
Agent's license, co-operative or assessment associations (partnerships licensed same as individuals, but corporations and each officer or agent soliciting insurance must have separate license).	1 00
Agent's license, all other companies (partnerships and corporations licensed same as above).....	2 00
Certificate of compliance, for publication (one for each county in which there is an agent).....	1 00
Copy of papers, twenty cents per folio.	
Certifying and affixing seal.....	1 00

Co-operative or assessment associations may pay \$25 for license for all agents for the year without further charge.

Fraternal Beneficiary Associations

Fees:

Filing annual statement and all other papers and issuing license \$25 00

Taxes.—Sec. 5433: 21½ per cent. of gross premiums received from policies covering risks written in the state, less return premiums paid and reinsurance premiums *received*. Fire companies pay, in addition, one-half of 1 per cent. of gross *fire* premiums received in the state for the maintenance of the office of state fire marshal, less return premiums paid and reinsurance premiums received.

Co-operative or assessment and fraternal beneficiary associations are not taxed.

Respecting the balance in hands of agents at tax return time, the attorney-general of the state has ruled that the same are taxable as personal property and the companies are required to pay the taxes upon such agent's balances.

Taxes due and payable in November.

Retaliatory provisions for other or greater charges by other states.

Publication.—Certificate of compliance which contains abstract of statement must be published by the company in each county of the state where the company has appointed agents, in a newspaper of general circulation approved by the department on or before October 1st.

Oklahoma

Annual Entrance Fees (Article 19, Constitution):

Foreign life insurance companies.....	\$200 00
Foreign fire insurance companies.....	100 00
Foreign accident and health insurance companies, jointly.....	100 00
Foreign surety and bond companies.....	150 00
Foreign plate glass companies, not accident.....	25 00
Foreign live stock insurance companies.....	25 00
Foreign fraternal companies.....	5 00

Fee for Filing Annual Statement.—Foreign life, miscellaneous and fraternal corporations, reciprocal; foreign fire, reciprocal.

Agents' Certificates of Authority:

Foreign companies, one for each member of firm.....	\$3 00
Domestic companies	50

Taxes.— On gross premiums, cancellations and reinsurances in authorized companies deducted: Two per cent. per annum (article 19, section 2, Constitution). Life insurance companies deduct dividends paid to policyholders in making tax return.

Fire marshal tax, one-fourth of 1 per cent. of gross fire and marine premiums received less return premiums and reinsurance premiums paid to authorized companies.

Tax statement must be filed with the insurance commissioner on or before the last day of February and tax is payable at that date.

Copies of Papers:

Per folio	\$0 20
Affixing seal	1 00

Oregon*Fees:*

Filing title (fire companies only)	\$5 00
Filing power of attorney (all companies) for legal service.....	2 50
For checking and filing the statement of business transacted in Oregon to ascertain the amount of taxes due all companies.....	5 00
Annual license, fire and marine companies.....	150 00
Annual license, life, accident, casualty and surety companies.....	100 00
Certificate of authority, fire, life, casualty, surety and accident companies	5 00
Agent's certificate of authority, all companies (expire April 1st of each year), firms and corporations.....	2 00
Agent's license, life companies (annual) nonresident.....	5 00

Custody of deposit, fire companies, one-eighth of 1 per cent.

Taxes.— Two and one-half per cent. of gross premiums received in the state, less return premiums, losses paid and reinsurance premiums paid to authorized companies.

Tax statement (report of Oregon business) due on or before March 1st with penalty of \$10 per day for delinquency. Taxes due and payable on or before April 1st.

Pennsylvania*Fees:*

Filing copy of charter.....	\$25 00
Filing annual statement.....	20 00
Certificate of authority, renewed annually.....	2 00
Agent's license, one to each member of a firm or corporation.....	2 00

*Assessment Life, Sick Benefit and Accident Associations**Fees:*

Filing annual statement.....	\$20 00
Certificate of authority, annually.....	2 00
Agent's license	2 00

Retaliatory provisions for other or greater charges by other states.

Taxes.—Two per cent. of gross premiums received in the state, less return premiums and reinsurance in authorized companies.

Assessment life, sick benefit and accident associations are likewise taxed at same rate.

Tax statement must be filed on or before March 1st and payable on that date.

By a decision of the Supreme Court of Pennsylvania, life insurance companies are entitled, in payment of taxes, to deduct from the premiums received, all dividends used by policyholders in payment of renewal premiums.

Rhode Island*Fees:*

Filing copy of charter or deed of settlement.....	\$30 00
Filing preliminary statement.....	20 00
Filing annual statement.....	20 00
Agent's license, one to a firm or corporation.....	2 00
Broker's license	10 00
Printing and distributing abstract of annual statement (fire and accident companies only).....	1 00

The original certificate of authority to a company is good until revoked; an annual fee, therefore, for renewal, is not required.

Taxes.—Stock companies, 2 per cent. of gross premiums received in the state, less return premiums and reinsurance in au-

thorized companies, unless there is a contract with the reinsuring company.

Tax statement to be filed in January and tax paid at that time.

Mutual companies, 1 per cent. of premiums collected in the state.

Retaliatory provisions for other or greater charges by other states.

Publication.—Life companies are required to publish abstract of annual statement once a week for three successive weeks in March, in some newspaper published in the county in which the general agency is located.

Agents of fire companies and general agents of life and accident companies are required to file bonds with the general treasurer, in such sums as he may designate. A bond of \$200 is required of agents of fire and accident companies, and from \$500 to \$1,000 of agents of life companies.

South Carolina

Annual Admittance License Fees for Companies of Other States and Countries to do Business:

Annual State license fee for all companies.....	\$100 00
Annual insurance department license fees as follows:	
Life insurance	50 00
Fire insurance, including marine.....	40 00
Marine insurance only.....	15 00
Accident and health insurance.....	40 00
Casualty insurance (which is taken to mean all forms of indemnity to the insured for loss on account of damage to things or to persons other than himself).....	40 00
Surety insurance (which means all forms of indemnity to the insured on account of misfeasance, default or debt of another)	40 00
Fraternal orders	25 00
Mutual fire insurance (maintaining no agents in South Carolina)	25 00
Mutual accident and health insurance (maintaining no agents in South Carolina).....	25 00
Mutual casualty insurance (maintaining no agents in South Carolina)	25 00
All forms of insurance not included above.....	50 00
Agent's license, each solicitor.....	50
Plate glass companies.....	10 00

Additional License Fees

On June 30th and December 31st each year all companies except fraternal orders, are required to pay 2 per cent on premiums collected, less dividend *returned in cash* and return premiums. If one-quarter of the reserve on South Carolina policies, in case of life insurance companies or if one-quarter of the premium receipts less dividend returned and return premiums in case of fire or miscellaneous insurance companies is invested in notes or bonds of the State of South Carolina or of counties or municipalities of the State or of subdivisions thereof; or first mortgage bonds of real estate in this State; or first mortgage bonds of solvent domestic or domesticated corporations whose improved property is situate entirely within this State and which are owned and controlled independently of foreign corporations and operated entirely within the State; or deposits in banks of this State maintained continuously for six months preceding date of such return or average daily balance on deposit in banks of this State maintained continuously for six months next preceding the date of such return; or any property situate within the State and returned for taxes, at the value at which it is returned, a reduction of one-fourth of 1 per cent. is allowed; so that, if the full reserve or the premium receipts less dividend returned and return premiums are so invested, this additional license fee is 1 per cent. on premiums collected, less dividend credits and return premiums. No other state and county taxes are assessable. Municipal license fees are permitted.

Fire companies pay a firemen's fund tax of 1 per cent. on premiums collected in towns having a fire department and fire apparatus of \$1,000 and upwards value.

Fire companies pay in addition a fire inspection tax of one-tenth of 1 per cent. of premiums received in the state less dividend credits and return premiums, payable semi-annually to the insurance commissioner.

Additional license fees 2 per cent. and fire inspection tax of one-tenth of 1 per cent. payable within thirty days after December 31st and June 30th of each year. Firemen's fund tax is payable within sixty days after December 31st of each year.

Section 24. The insurance commissioner may make quarterly pro rata abatements of the annual admittance fees to companies admitted to do business in this state after October 1st of each year.

Any company, except certain specified ones, selling, offering for sale, taking subscription for, or negotiating for sale in any manner whatever in this state any stocks, bonds, or other securities of its own issue shall file in the office of the insurance commissioner a statement showing in full detail the plan upon which it proposes to transact business, a copy of all contracts, stock, bonds or other instruments which it proposes to make with, or sell to its contributors or customers together with a copy of its prospectus and the proposed advertisement of its sale of stocks, bonds or other securities, which statement shall also show the name and location of main office of the company, names and addresses of officers and an itemized account of its financial condition, the amount of its assets and liabilities and such other information touching its condition and affairs as the commission may require.

It shall file a copy of its articles of incorporation, constitution and by-laws and a certificate with proper officer of the state showing its authority to transact business. The above described papers shall be verified by oath.

It shall pay a filing fee of one-tenth of 1 per cent. upon the face value of the securities it will offer for sale. Such fee shall not be more than \$100 nor less than \$2.50.

It shall appoint the insurance commissioner its attorney to accept service, if it be a foreign company.

It shall register each agent for the sale of its stock and pay therefor \$1.

South Dakota

Fees:

Filing articles of incorporation or charter.....	\$25 00
Filing annual statement.....	25 00
Agent's license, each member of firm — corporation as a whole....	2 00
Companies' license, annual.....	2 00
Agent's license, fraternal.....	50

Copies of records, twenty cents per folio and \$1 for seal.

Taxes.— Two and one-half per cent. of gross premiums received in the state, less return premiums on cancelled policies

and reinsurance in authorized companies. Also fire marshal tax of one-half of 1 per cent. on net fire premium receipts. Assessment companies, 2 per cent. of gross premiums received. Not required of fraternal organizations. Stock and old line life companies, tax of $2\frac{1}{2}$ per cent.; miscellaneous companies, $2\frac{1}{2}$ per cent.

Taxes must be paid prior to March 1st of each year before company is relicensed.

Publication.—Annual statement must be published in each judicial district in which there are policies issued. Not required of fraternal orders. Attended to by department.

Retaliatory provisions for other or greater charges by other states.

Tennessee

Fees on Admission:

Collected by the insurance department:	
Fraternal orders	\$10 00
All other companies	30 00
Collected by the secretary of state:	
Filing copy of charter of all companies and fraternal orders.....	20 00
Filing copy of charter of all stock companies, flat fee.....	100 00

Annual Fees:

Filing annual statement, life companies.....	25 00
Filing annual statement, fraternal orders.....	10 00
Filing annual statement, all other companies.....	15 00
Certificate of authority (one to each member of a firm)	2 00

Valuing life policies, two cents for each \$1,000 of insurance in force.

Valuations of other states accepted by this department for foreign companies.

Taxes.—Two and one-half per cent. of gross premiums received in the state, less return premiums and cash dividends, payable semi-annually.

Fire insurance companies pay one-half of 1 per cent. additional as fire marshal tax, payable semi-annually on January 1st and July 1st.

Each agent must pay the following occupation tax:

Beginning business in first quarter of the year.....	\$10 00
In second quarter.....	7 50
In third quarter.....	5 00
In fourth quarter.....	2 50

Fraternal orders pay no taxes, and are not permitted to employ agents.

Texas

Fees

1. All companies except home life companies, fraternal beneficiary associations and mutual fire, lightning, hail and storm companies:

Filing annual statement.....	\$20 00
Two certificates of compliance (for publication).....	1 00
Renewal of certificate of authority.....	1 00
Total	\$22 00
Filing charter or amendment or certified copy of either.....	25 00

2. All home life or casualty companies and all mutual fire, lightning, hail and storm companies:

Filing annual statement.....	\$10 00
Two certificates of compliance (for publication).....	1 00
Renewal certificate of authority.....	1 00
Total	\$12 00
Filing charter or amendment or certified copy of either.....	20 00

3. All fraternal beneficiary associations:

License fee	10 00
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(In addition to the above fee for filing the annual statement there is a fee of one (\$1) dollar for each agent's license furnished.)

Taxes

Life and Assessment Life Insurance Companies: Three per cent. on gross premiums collected in the state of Texas.

NOTE.—Life companies having 30 per cent. of their total Texas reserves invested as stated in Acts 31st Leg. First Called Session, chapter 3, section 1 (sec. 134, Digest 1911) on December 31, 1911, are required to pay 2.6 per cent.; those having 60 per cent. so invested are required to pay 2.3 per cent.; those having 75 per cent. so invested are required to pay 2 per cent. It is to be noted that policy loans will not operate to reduce the tax on gross premiums below 3 per cent.

Stock, Fire, Lightning, Tornado; Marine and Miscellaneous, including Assessment Accident: Two and six-tenths per cent. on

gross premiums collected in the state, less return premiums paid to authorized companies and reinsurance premiums.

An additional tax of 1 per cent. on the gross premium receipts of all stock fire insurance companies is collected for the support of the State Fire Insurance Commission.

NOTE.—If any of the last above named companies shall have as much as one-fourth of their entire assets invested as stated in Acts 32d Leg. Chap. 108, the annual tax shall be 1 per cent. of the net premiums collected in the state of Texas. If one-half of such assets be so invested, the tax shall be one-half of 1 per cent. of the net premiums.

Mutual Fire, Lightning, Hail and Storm: One-half of one per cent. on net premiums collected in Texas.

Taxes due and payable on or before March 1st.

Publication.—Certificate of compliance must be published by company for three successive weeks in two newspapers.

Utah

Admission Fees:

Filing statement preliminary to admission.....	\$50 00
Filing acceptance of the provisions of the constitution.....	3 00
Filing articles of incorporation and by-laws	25 00
Filing appointment of attorney	1 00
Company's license	5 00
Agent's license, one to each person, firm or corporation.....	2 00
Total	\$86 00

Annual Fees:

Filing annual statement.....	\$50 00
Filing appointment of attorney	1 00
Preparing abstract of annual statement for publication.....	5 00
Certificate of authority, renewable annually.....	5 00
Agent's license (one to each person, firm or corporation)	2 00
Filing amendments to articles of incorporation and by-laws.....	5 00
For each copy of any paper filed in department per folio.....	20
For affixing seal and certifying any paper.....	1 00

Taxes.—All insurance companies engaged in the transaction of business of insurance in this state shall annually, on or before the first day of March in each year, pay to the commissioner of in-

insurance $1\frac{1}{2}$ per cent. of the gross amount of premiums received less the amount of all premiums returned, within this state, during the year ending the previous 31st day of December; provided, that if any insurance company shall have paid a property tax during said year, it shall be entitled to deduct from the tax therein provided the amount of such property tax paid for general state purposes.

All taxes are due and payable on or before the last day of February, at which time the annual statements, including the tax statements, must be filed.

Publication.—A synopsis of such statement, together with the commissioner's certificate of authority to transact business in this state, shall be published in some newspaper of general circulation published at the capital for at least four insertions. Such publication shall be made within thirty days after such certificate of authority is issued, and a copy of the paper containing such publication shall be filed in the office of the commissioner.

Vermont

Fees:

Filing copy of charter.....	\$30 00
Filing annual statement.....	20 00
Certificate of authority (renewal annually).....	5 00
Agent's license (one to each member of a firm).....	2 00

Fraternal Beneficiary Associations

Fees:

Permit to do business	5 00
Filing charter	5 00
Filing annual statement.....	5 00
Filing any additional papers required by law.....	25

Retaliatory provisions for other or greater charges by other states.

Taxes.—Two per cent. of premiums and assessments received in the state, less return premiums, cash dividends paid to policyholders in the state and reinsurance in authorized companies on risks for which the full premium has been collected by the company making the return.

Tax statement must be filed on or before February 1st and taxes are payable during the month of February.

Domestic companies in addition to premium tax pay a tax of 1 per cent. of surplus and state pays expenses of examinations of domestic companies.

A franchise tax of \$10 for the first \$50,000 of capital or deposit, and \$5 for each additional \$50,000, or part thereof, the whole not to exceed \$50, is collected from stock companies.

Virginia

Fees on Admission:

Stock companies with capital of \$50,000 or less.....	\$30 00
Stock companies with \$50,000 and not to exceed \$1,000,000 60 cents per thousand or fraction thereof.	
Over \$1,000,000 and not to exceed \$10,000,000.....	1,000 00
Over \$10,000,000 and not to exceed \$20,000,000.....	1,250 00
Over \$20,000,000 and not to exceed \$30,000,000.....	1,500 00
Over \$30,000,000 and not to exceed \$40,000,000.....	1,750 00
Over \$40,000,000 and not to exceed \$50,000,000.....	2,000 00
Over \$50,000,000 and not to exceed \$60,000,000.....	2,250 00
Over \$60,000,000 and not to exceed \$70,000,000.....	2,500 00
Over \$70,000,000 and not to exceed \$80,000,000.....	2,750 00
Over \$80,000,000 and not to exceed \$90,000,000.....	3,000 00
Over \$90,000,000	5,000 00
Mutual companies	50 00
Filing charter, per folio.....	50
Recording power of attorney.....	1 00
Seal	5 00

First-year License Fees:

Specific license tax	200 00
For a license granted for less than a year the specific tax thereon shall bear such proportion to the whole specific annual tax as the space of time between granting the same and the 30th day of April bears to the whole year.	
Agent's registration fee for each company represented, individual.	1 00

Annual Registration Fees:

Mutual companies and companies with capital of \$15,000 or less.	5 00
Stock companies with capital of \$15,000 to \$50,000.....	10 00
Stock companies with capital of \$50,000 to \$100,000.....	15 00
Stock companies with capital of \$100,000 to \$300,000.....	20 00
Stock companies with capital of more than \$300,000.....	25 00
For copies of records, per page (paid once only)	20
Tax on seal, paid once only.....	1 00

All licenses expire on the 30th day of April.

Certificates of registration expire July 15th.

License Tax

Annual license after first year — Sick benefit companies, 1 per cent.; life companies, $2\frac{1}{4}$ per cent. of net premiums or assessments received in the State or obligations taken therefor, during the previous year.

All other companies $2\frac{3}{4}$ per cent. of such net receipts or obligations. Fire insurance companies allowed to deduct premiums on cancelled policies and reinsurance upon business in this state.

One-tenth of 1 per cent. (or less, at discretion of the commissioner) of net premiums or assessments received in the state or obligations taken therefor during previous year for maintaining the bureau of insurance.

License tax is due May 1st.

Tax on premiums is due April 1st.

License tax on agents is due July 15th.

Tax reports must be filed on or before March 1st.

Deposit.—Stock companies are required to deposit securities to the amount of 5 per cent. of capital; but such deposit shall not be less than \$10,000 and need not be more than \$50,000. The amount of deposit required of mutual companies is fixed by the state corporation commission; they shall pay to the State Treasurer an annual fee of one-twentieth of 1 per cent. of the deposit.

Publications not required. Retaliatory provisions prevail.

Washington

*Entrance or Authorization of All Companies Except
Fraternal Associations:*

For filing articles of incorporation or charter, or certified copy of articles or charter, by-laws or other record of organization.....	\$25 00
For issuing certificate of authority.....	10 00
Filing appointment of attorney to accept service.....	1 00
Total	\$36 00

Annual and Miscellaneous Fees:

Certificate of authority (renewable annually).....	10 00
Filing annual statement of condition and report of Washington business	20 00
Filing amended articles of incorporation or charter.....	10 00
Filing miscellaneous papers (each).....	1 00
Certificate under seal.....	1 00
Certified copies of papers (per folio).....	20

Agents' Licenses:

Agent's license (fire, life or miscellaneous), firms and corporations	2 00
Solicitor's license (fire, life or miscellaneous), individual.....	2 00
Broker's license	100 00
Agent's license to act for unauthorized companies.....	100 00
Nonresident special agent's license.....	5 00
Adjuster's license	10 00

Note: Agent's license may be issued to a firm or corporation and if so issued must bear the name of each member of the firm or executive officers of a corporation. Licenses subject to one transfer.

Fraternal Beneficiary Associations

Filing articles and issuing certificate of authority upon entrance..	\$10 00
Annual license or renewal of certificate of authority.....	10 00

All licenses and certificates of authority expire March 31st, except unauthorized companies, which are good for one year from date.

No advertisement or publication of annual statement required.

Reciprocal laws in force and where fees of other states are greater for like services, as above enumerated, then the greater fee is required.

Taxes.—Fire and miscellaneous insurance companies, $2\frac{1}{4}$ per cent. of gross premiums less reinsurance premiums paid to authorized companies and return premiums.

Life companies, $2\frac{1}{4}$ per cent. of gross premiums less premiums paid to authorized companies for reinsurance.

Taxes are due March 1st.

West Virginia*Fees:*

Annual license fee.....	\$10 00
Filing annual report.....	10 00
Annual fee to state auditor for action as attorney to accept service of process	10 00
Certification of valuation, to West Virginia companies only.....	5 00
Certificate of authority to each agent, individual.....	5 00
For filing each additional paper required by law.....	25
Certificate of authority for solicitor for fire and casualty companies	1 00
Annual license fee for fraternal orders.....	25 00
Annual license fee, assessment life companies.....	20 00
Filing annual report of assessment life companies.....	5 00

Taxes.—Two per cent. of gross premiums received on business written or received in the state less return premiums.

A tax of one-half of 1 per cent. upon above premiums of fire companies to defray expenses of fire marshal.*

All tax returns of life, fire and casualty companies must be filed by January 31st. Taxes must be paid on or before March 1st.

Publication of annual statement not required.

Although 2 per cent. of gross premiums, etc., is the state tax, no premiums are taxed twice; i. e., in case of reinsurance only one company pays, as determined by the contract of reinsurance between the companies.

Wisconsin

Fee for Filing Articles of Incorporation:

1. Fire and marine.....	\$25 00
2. Life	25 00
3. Casualty	25 00
4. Papers required: "Appointment of Commissioner of Insurance as Attorney for Service of Process," "Annual Statement," "Appointment of General Agent," "Annual Application for License."	

Fee for Filing Annual Statements:

5. Life	25 00
6. Fire and marine.....	25 00
7. Casualty	25 00

Agents' Licenses:

8. Fire and marine companies, one to each member of a firm.... (Except in states where greater fees are charged, in which case retaliatory laws govern.)	1 00
9. All other companies, one to each member of a firm..... (Same exception as above.)	1 00

Taxes:

10. Wisconsin fire companies and foreign fire companies (of other countries) pay on total premium income less cancellations and reinsurance accepted from authorized companies, 2% per cent.; plus—on gross premiums less cancellations in fire department towns, 2 per cent.
- 10a. Fire companies of other states pay such tax rate as may be charged Wisconsin companies doing business in such state

* The auditor of state advises that premiums received from hail and wind-storms insurance are not taxed for support of fire marshal.

total premium income less cancellations and reinsurance — or a fire marshal tax of three-eighths of 1 per cent. on accepted from authorized companies; plus fire department tax of 2 per cent. on gross premiums less cancellations in cities and villages having fire departments; whichever of the two sums may be the greater.

11. Casualty companies pay 2 per cent. on gross premiums written in the state.

Taxes are due and payable as follows: Fire companies, on or before February 1st; life companies on or before March 1st.

12. Life insurance companies pay annual fee..... 300 00

(MEMORANDUM.—The Insurance Commissioner of Wisconsin advises that in collecting the 1 per cent. tax on premiums charged New York Life companies, he will allow a deduction therefrom of the license fee of \$300 which may have been collected by him from such companies with the express agreement that the New York Insurance Department shall not collect said "License Fee" from Wisconsin Life Insurance companies doing business in New York State.)

Wyoming

Fees:

Filing statement and charter with application.....	\$50 00
Filing condensed form of annual statement.....	12 00
Filing annual statement.....	25 00
Acceptance of state constitution.....	2 50
Agent's license, one to firm or corporation.....	2 00
Surety companies' annual license.....	50 00

Copy of records, fifteen cents per folio and \$1.00 for seal.

Taxes.—Two and one-half per cent. of gross premiums collected in the state. No allowance for return premiums.

Taxes become due and payable from the first day of February to the thirtieth day of March in each year.

Fraternal and Beneficiary Associations

Fees:

Filing statement and charter with application.....	\$15 00
Filing annual statement.....	15 00
Acceptance of state constitution.....	2 50

No taxes or agents' licenses.

Publication of abstracts of annual statements once in two papers, one paper of which must be published at the capital. Companies select the papers.

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